Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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John A. Kitzhaber, MD
Governor

Michael Jordan
State Chief Operating Officer
Director, Department of Administrative Services

George Naughton, State Chief Financial Officer

Report Prepared by:

Statewide Accounting and Reporting Services
Chief Financial Office, Department of Administrative Services

Kathryn Ross, CPA, Manager
Jeanne Bock, CPA
Li Deng
Kathy Dixon, CPA
Monique Fawver
Robert Hamilton, CPA
Jane Moreland
Star Thomson, CPA
Shrikant Vajratkar, CPA
Karen Williams

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For The Year Ended June 30, 2013

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Introductory Section

Oregon
John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Financial Office
155 Cottage Street NE U10
Salem, OR 97301

January 28, 2014

To the Honorable Governor John Kitzhaber, MD, and Citizens of the State of Oregon:

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 2013. This report is published to fulfill the requirement for annual financial statements in Oregon Revised Statute 291.040.

This report consists of management's representations concerning the finances of the State of Oregon (State). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the information presented is accurate in all material respects.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the State's financial statements for the fiscal year ended June 30, 2013. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. Based on the audit, the auditors concluded the financial statements for fiscal year 2013 are fairly presented in accordance with GAAP. The audit report is the first component in the financial section of this report.

The audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also prepared by the Audits Division, will be available in a separately issued report on or about March 31, 2014.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A should be read in conjunction with the letter of transmittal.

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs, including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative support, and judicial services. Oregon's primary government as reported in the accompanying financial statements consists of approximately 90 state agencies. In addition to the primary government, four entities are reported as discretely presented component units to emphasize that they are legally separate from the State. See Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

Oregon's Legislature adopts a budget on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. This biennial budget serves as the foundation for the State's financial planning and control. Appropriation bills approved through the legislative process include one or more appropriations that may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the Legislature's view of the activity. Legislative

approval is required to transfer expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated fund types have been established to account for the State's budgetary activities: general funds, federal funds, lottery funds, and other funds. See the notes to the required supplementary information for additional information about the budget process and budgetary monitoring.

Local Economy

Oregon is the least populous of the three west coast states that also include California and Washington. Oregon has almost 2 million of the three states' 24 million workers. Oregon's largest metro area is centered in Portland, stretching west to Hillsboro and north across the Columbia River to Vancouver, Washington. The Portland area has the sixth largest number of workers of all metro areas in the three states. One-half of Oregon's jobs are located within the Oregon portion of the Portland metro area.

Rapid job growth from late 2003 to mid-2006 pulled Oregon's unemployment rate down to a low of 5 percent in early 2007. In the summer of 2008, the rate began rising rapidly in response to job losses in many industries. It hit a peak of 11.6 percent in the spring of 2009, at that time the second highest rate in the nation. As of November 2013, Oregon's unemployment rate was 7.3 percent compared with 8.4 percent in November 2012.

From late 2003 to mid-2006, Oregon gained jobs at roughly 3 percent per year. Oregon's nonfarm payroll jobs peaked in December 2007 at the start of the national recession, and the State lost 8.4 percent of its jobs before reaching bottom in February 2010. Since that low point, nearly all of Oregon's major industries have added back jobs lost during the recession for a net gain of over 85,000 jobs. However, an additional 60,000 jobs are needed to regain the pre-recession peak.

Oregon's major foreign export-related industries include computers and electronic products, agricultural products, machinery, chemicals, and transportation equipment. The largest foreign consumers of Oregon's products are Canada, China, Malaysia, Japan, and South Korea. Oregon also ships large values of goods to domestic markets. These shipments include wood, food, nursery products, transportation equipment, machinery, instruments, and plastic and paper products. Oregon also serves both foreign and domestic tourists.

Oregon's annual nonfarm employment level in 2013 should grow about 1.9 percent over the 2012 level and is expected to grow another 2.1 percent in 2014, reflecting accelerating employment growth after two years of modest growth. Employment growth is expected to rise to 2.2 percent in 2015 and remain above 2 percent in 2016. The State's current job growth mirrors the national trends, although Oregon's future job growth is expected to be slightly faster. Job growth over this period is expected to be fastest in high tech manufacturing and construction as these industries recover from the jobs cut during the recession. Professional and business services and leisure and hospitality have already fully recovered the jobs lost during the recession and are expected to continue adding jobs at a fast pace. Professional and business services, health care and social assistance, and retail trade will likely add the most jobs between 2013 and 2016. Overall, employment growth in Oregon is expected to outpace population growth through 2016.

Spending on education as reported by the State's governmental funds during fiscal year 2013 decreased $177.9 million, or 4.4 percent, compared to fiscal year 2012, but was 11.5 percent higher than the amount spent on education ten years ago. Human services spending by the State's governmental funds was up $275.9 million, or 3.3 percent, compared to fiscal year 2012, but was double the amount spent in fiscal year 2004. Governmental fund expenditures for administration in fiscal year 2013 increased $5.3 million, or 1.6 percent, compared to fiscal year 2012 but were 47.5 percent lower than in fiscal year 2004. The slower growth rate in expenditures for education and administration, when compared to human services, reflects the continued demand for safety net programs as Oregon emerges from the recent recession, as well as opportunities to use state debt to spur economic growth. Governmental fund expenditures related to debt service, for example, have increased as the State expands its use of low-cost capital financing. Debt service expenditures in fiscal year 2013 were nearly 2.7 times higher than the amount spent on debt service in fiscal year 2004.

During this same ten-year period, tax revenues, while increasing in amount overall, decreased 4.4 percent as a percentage of total governmental fund revenues. The reason for this decline is the relative increase in governmental fund expenditures for federally supported programs (e.g., human services) versus

governmental activities funded by taxes. As a percentage of total revenues, federal revenues were 5 percent higher than they were ten years ago, evidence of the State's continuing reliance on federal assistance programs.

Long-term Financial Planning

Budget for the 2013-15 Biennium

The legislatively adopted budget for the State of Oregon for the 2013-15 biennium is $59.8 billion total funds, an increase of $2.6 billion from the 2011-13 legislatively approved budget of $57.2 billion, or a gain of 4.6 percent. The increase between the two biennia is largely due to $1.9 billion more in General Fund resources available for expenditure in the 2013-15 biennium than were spent in 2011-13. This 14 percent increase in General Fund expenditures is the largest percentage increase since a 14.9 percent increase in the 1999-2001 biennium. With the exception of 2011-13, the total funds budget percentage increase for the 2013-15 biennium is the lowest since the 1987-89 biennium. The relatively slight growth in the total funds budget is primarily due to a 21 percent reduction in Lottery Funds and continuation of a recent trend of slow to no growth in Other Funds.

Lottery resources are forecast to total $1.1 billion in the 2013-15 biennium, a $24.5 million (or 2.3 percent) decline from the 2011-13 biennium level. This will represent the third consecutive biennium of declining lottery resources, following their peak in the 2007-09 biennium. After a period of rapid growth earlier in the decade, lottery resources declined by 22.4 percent during the 2009-11 biennium, followed by a smaller 0.4 percent decline in the 2011-13 biennium. Resources in 2013-15 are forecast to be a full 24.4 percent below the 2007-09 biennium peak. Although the Office of Economic Analysis anticipates that lottery resources will begin to grow again starting in the 2015-17 biennium, it is not forecasting a return to the rapid growth rates that occurred early in the last decade when video lottery games were expanded. Total biennial lottery resources are not forecast to exceed the previous 2007-09 biennium peak level until the 2019-21 biennium.

The December 2013 economic and revenue forecast projects $15.8 billion of General Fund gross revenues for the 2013-15 biennium. The projected General Fund ending balance for 2013-15 is $217.2 million. General Fund resources are forecasted to increase by 11.3 percent in the 2013-15 biennium and 10.8 percent in the 2015-17 biennium.

General Fund Debt

The 2013 Legislature approved $640.2 million in General Fund debt. This amount includes $242.9 million of Article XI-G bonds for post-secondary education and $367.3 million in Article XI-Q bonds for other projects. Also approved were $30 million in Article XI-M and Article XI-N seismic bonds.

Article XI-F general obligation bonds provide bond financing for the Oregon University System's self-supporting capital construction projects. The Legislature approved $391 million of these projects including $316.8 for new projects. The remainder was for projects that were approved during the 2011-13 biennium.

After the passage of Senate Bill 242 in 2011, the Oregon University System (OUS) no longer receives capital construction expenditure limitation. To provide control over OUS bonding projects, each of the projects that uses general obligation bonds is now uniquely identified in the bond bill.

The largest General Fund projects (other than higher education projects) include $86.8 million for the State Hospital project in Junction City, $35.1 million for the Capitol Building Master Plan project, $27.1 million for the Core System Replacement Project at the Department of Revenue, and $24.9 million for the continuation of the eCourt project at the Judicial Department.

General Fund debt service for the approved projects is estimated to be $7.3 million in 2013-15, rolling up to $119.3 million in 2015-17. There was $299.9 million in remaining capacity after all General Fund projects were approved.

Lottery-backed Debt and Other Direct Revenue Bonds

Direct revenue bonds total $1.9 billion and include $867 million for Highway User Tax and Infrastructure Fund, $663 million for toll-backed bonds, $150 million for housing bonds, $35 million for economic and community development, $50 million for the Oregon University System, and $20 million for the energy programs. Lottery bonds are also included in this category.

The 2013-15 biennium legislatively adopted budget authorizes new lottery revenue bonds at a significantly reduced level compared to the prior biennium. The state's capacity to issue lottery revenue bonds is restricted by bond covenants that require debt service costs to be limited to no more than one-quarter of unobligated net lottery revenues. Accordingly, the 2013 Legislature authorized a total of $157.6 million of lottery revenue bonds to generate $141.3 million of lottery bonds proceeds for identified projects and to pay associated bond-related costs. This represents a $68.7 million (or 32.7 percent) decline from the $210 million of lottery revenue bond proceeds approved in the 2011-13 biennium budget. Furthermore, the additional lottery revenue bonds cannot be issued until spring 2015 to comply with the State Debt Policy Advisory Commission determination that no debt capacity was available until the second year of the biennium. As a result, no debt service costs are due on the new bonds during the 2013-15 biennium. Beginning in the 2015-17 biennium when debt service costs are fully phased in, the debt service costs for the new bonds are projected to total $26.9 million per biennium.

The largest lottery-backed bond project is the $42 million the Legislature approved to continue the initiative known as "Connect Oregon" for multimodal projects to improve public transportation, aviation, rail networks, and marine ports, adding consideration for bicycle and pedestrian travel as well.

Relevant Financial Policies

The State currently administers two general reserve accounts, the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to one percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Withdrawals from the Rainy Day Fund require one of three specific economic triggers to occur plus approval of three-fifths of both chambers of the Legislature. Withdrawals are capped at two-thirds of the balance as of the beginning of the biennium in question, while fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

The Education Stability Fund is the State's second general reserve fund. Its current reserve structure and mechanics are the result of a constitutional amendment in 2002. Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education in Oregon if the Governor declares an emergency and the expenditure is approved by a three-fifths majority in each chamber. This fund receives 18 percent of lottery earnings, deposited on a quarterly basis. The fund does not retain interest earnings. Fund balance is capped at five percent of General Fund revenues collected in the prior biennium.

The Rainy Day Fund starts the 2013-15 biennium with a cash balance of $61.9 million. Because the General Fund's ending balance for 2011-13 was positive, one percent of budgeted appropriations, or $136.9 million, will be deposited in the Rainy Day. In addition, Measure 67 directs revenue collected from corporate income and excise tax rates above 6.6 percent to be deposited in the Rainy Day Fund beginning with the 2013-15 biennium. The current estimate for the biennium is $10 million. The December 2013 economic and revenue forecast projects the Rainy Day Fund will end the 2013-15 biennium with a cash balance of $210.6 million.

The Education Stability Fund starts the 2013-15 biennium with a cash balance of $7.4 million. The December 2013 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of $177.9 million, which includes deposits of $170.5 million based on lottery sales. No withdrawals are projected at this time.

Major Initiatives

Of the major projects and related efforts included in the 2013-2015 budget, several are of particular interest due to their overall cost, complexity and risk, importance to public safety and health, and/or cross-biennium timeframes. These projects include:

- Oregon Judicial Department's eCourt Program
- Oregon Department of Transportation's State Radio Project
- Oregon Department of Revenue's Core Systems Replacement Project

<u>Oregon Judicial Department's eCourt Program</u>

During 2012 and early 2013, the Judicial Department successfully implemented the new "court management" software in five of its initial pilot and early-adopter trial courts. As a result, the Legislature approved another $25.9 million (which is part of the estimated $97 million total one-time program cost) for the continued implementation of the Oregon eCourt Program. During the 2013-15 biennium, eCourt will be expanded to an additional fourteen courts, including the state's largest, the Multnomah County Circuit Court.

<u>Oregon Department of Transportation State Radio Project</u>

The 2011 Legislature directed the leadership of the State Radio Project to scale back the project to the first goal established in the original 2005 legislation, which was simply to upgrade all existing state radios and infrastructure to assure the continued proper operation of an "integrated statewide radio network." The scaled back project was estimated to cost a total of $209 million.

During the 2011-13 timeframe, the Department of Transportation completed a major portion of the requirements needed for the network. However, the original cost estimates for the remaining work were found to be insufficient. As a result, the Department's budget bill for the 2013-15 biennium includes an additional $20 million in limitation to cover the remaining costs. The Department's goal during 2013-15 is to continue the shift from "project" to "operations" as the final work is completed.

<u>Department of Revenue Core System Replacement Project</u>

The Department of Revenue originally sought legislative approval for this project during the 2011 legislative session. A budget note directed that the agency report to the 2012 Legislature with completed foundational work to ensure project readiness and to re-evaluate the assumptions behind its benefits-based revenue model.

The Department of Revenue was interested in a software product used by a variety of other states to provide automated support for statewide tax, revenue collection, and management activities. However, the 2013 Legislature took a different direction and approved funding for a different project referred to as the Core Systems Replacement Project. The Legislature also changed the funding model from a benefits-based model to the standard funding model used for issuing Article XI-Q bonds. Finally, the Legislature directed a more conservative implementation that would focus on the much smaller corporate and tobacco tax programs rather than the personal income tax and compliance program as originally planned.

Going forward the Department of Administrative Services is to provide oversight of the project, including support for project management, information technology systems development lifecycle, procurement, and quality assurance. The Department of Revenue is to submit updated key foundational project management documentation to the Legislative Fiscal Office on or before February 1, 2014.

Awards and Acknowledgements

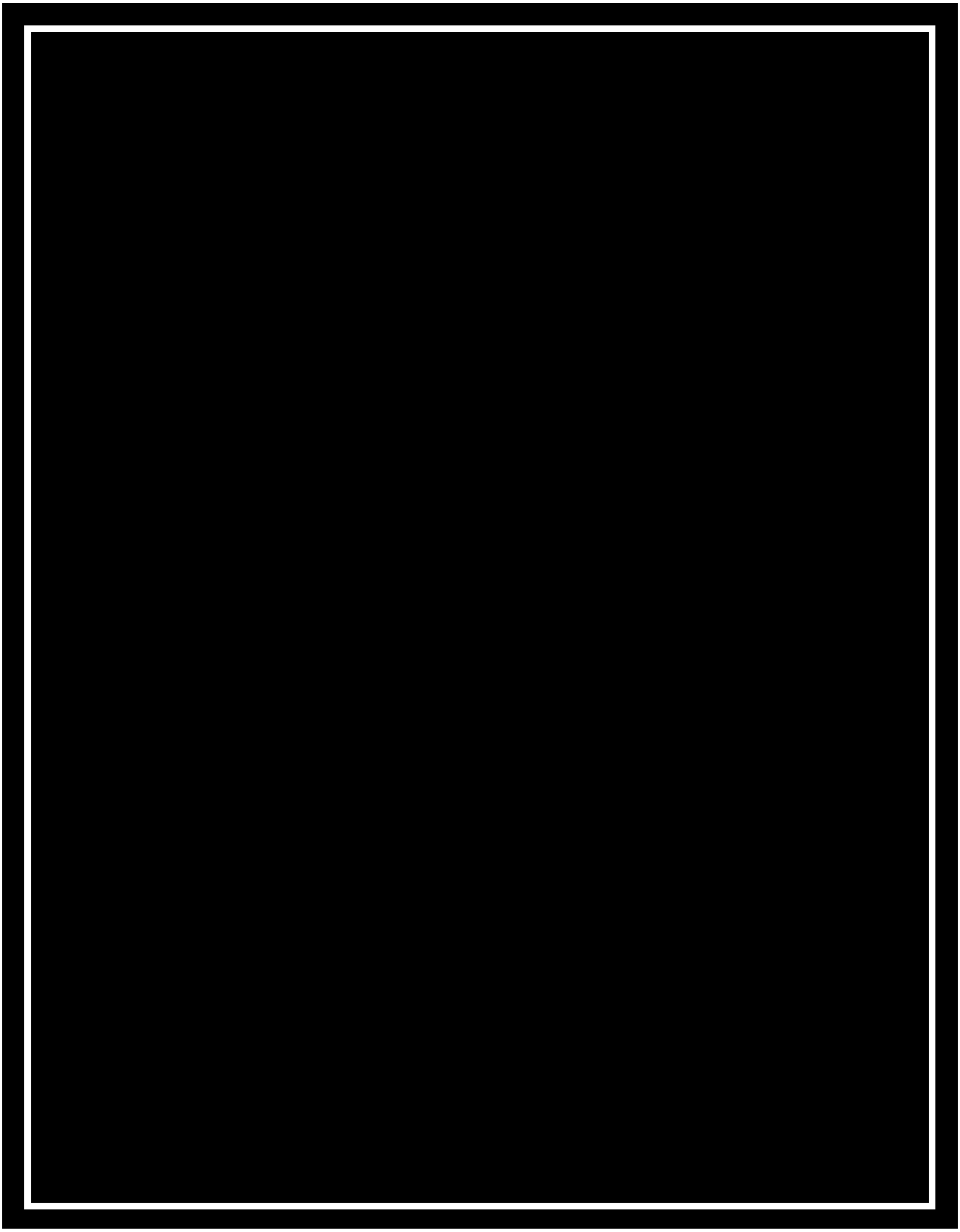
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oregon for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the twenty-first consecutive year that the State has achieved this prestigious award. To receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

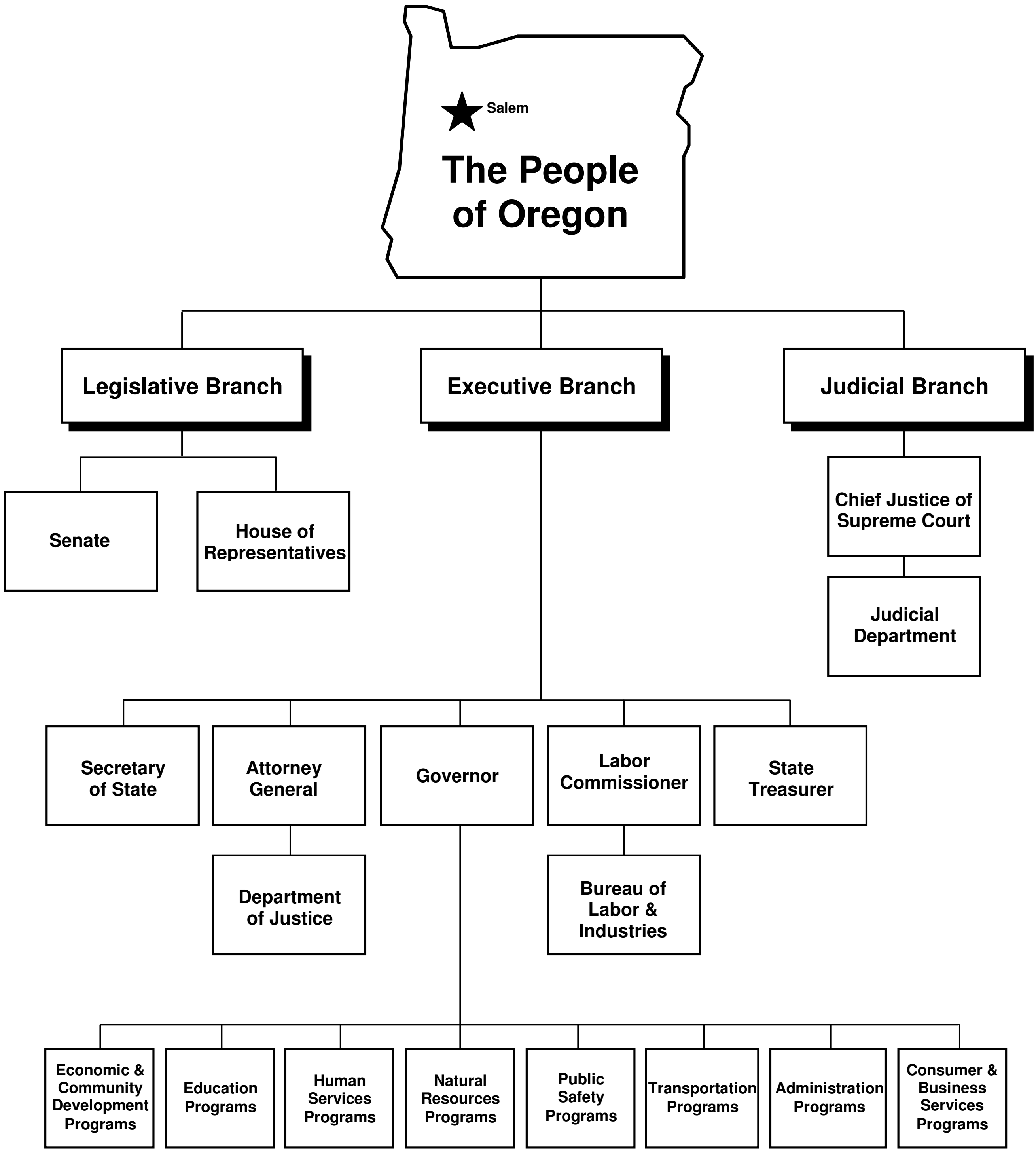
The Chief Financial Office takes great pride in the preparation of the Oregon Comprehensive Annual Financial Report. We greatly appreciate the professionalism, commitment, and effort of Statewide Accounting and Reporting Services and the other individuals involved. We also want to thank all state agencies for their continuing support in planning and conducting the financial operations of the State in a professionally responsible manner. Without the participation and cooperation of the agencies' fiscal units, the preparation of this report would not have been possible. In addition, we appreciate the contributions of the Office of Economic Analysis, the budget and policy section of the Chief Financial Office, the Office of the State Treasurer, and the staff of the Secretary of State Audits Division.

Respectfully submitted,

George Naughton
Chief Financial Officer
State of Oregon



STATE OF OREGON ORGANIZATION CHART



Principal State Officials

EXECUTIVE

John A. Kitzhaber, MD, Governor

Kate Brown, Secretary of State

Ted Wheeler, State Treasurer

Ellen F. Rosenblum, Attorney General

Brad Avakian, Commissioner, Labor and Industries

LEGISLATIVE

Peter Courtney, Senate President

Tina Kotek, Speaker of the House of Representatives

JUDICIAL

Thomas A. Balmer, Chief Justice of the Supreme Court

Financial Section

Office of the Secretary of State

Kate Brown
Secretary of State

Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255
fax (503) 378-6767

INDEPENDENT AUDITOR'S REPORT

The Honorable John Kitzhaber
Governor of Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the SAIF Corporation, the Oregon Health and Science University and the Oregon University System Foundations, which are discretely presented component units, the Oregon University System, the Common School Fund, or the Public Employees Retirement System. Those financial statements represent the following percentage of the assets, net position/fund balance, and revenues/additions of the opinion units as indicated below:

Opinion Unit	Percent of Assets	Percent of Net Position/ Fund Balance	Percent of Revenues/ Additions
Governmental Activities	6%	8%	1%
Business Type Activities	42%	31%	38%
Discretely Presented Component Units	100%	100%	99%
Common School – Major Governmental Fund	100%	100%	100%
University System – Major Enterprise Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	86%	89%	62%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above opinion units,

is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Oregon University System Foundations, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. The combining fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oregon's internal control over financial reporting and compliance.

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Oregon (State) for the fiscal year ended June 30, 2013. The MD&A is intended to serve as an introduction to the State's financial statements. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes, and required supplementary information should be reviewed in their entirety.

We encourage readers to consider the information presented in this analysis in conjunction with the transmittal letter beginning on page 2 of this report.

FINANCIAL HIGHLIGHTS

- On June 30, 2013, the State's net position on a government-wide basis was $17 billion. Of this amount, the unrestricted portion was $1.6 billion. The amount restricted for specific uses was $3.4 billion. The State's net investment in capital assets was $12 billion.
- The State's net position increased $1.1 billion compared to the prior year. Net position for governmental activities increased 6.7 percent, while net position for business-type activities increased 7.5 percent.
- As of June 30, 2013, the State's governmental funds reported combined ending fund balances of $4.9 billion. Of this total, approximately 2 percent was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 74.8 percent of ending governmental fund balances was classified as restricted and included amounts that were subject to constraints imposed by external parties, such as creditors, grantors, or the laws and regulations of other governments (including the federal government), or imposed by constitutional provisions or enabling legislation. Restricted fund balances totaled $3.7 billion.
- The remaining 23.2 percent of ending fund balances was classified as unrestricted and included the fund balance categories designated as committed, assigned and unassigned. Committed fund balances are available for spending only with legislative approval. Assigned and unassigned fund balances may be spent at the government's discretion. Total unrestricted fund balances equaled $1.1 billion. Additional information on the classification of governmental fund balances may be found in Notes 1 and 21 in the notes to the financial statements.
- At fiscal year end, unrestricted fund balance (committed, assigned, and unassigned categories) in the General Fund was $657.3 million.
- Outstanding debt (bonds and certificates of participation) decreased by $281 million during fiscal year 2013. As part of an overall plan to reduce borrowing costs, the State was involved in 8 separate debt refunding issuances and refunded $656.2 million of previously existing debt with $677.9 million of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the MD&A, the financial section of this annual report contains the *basic financial statements, required supplementary information*, and the *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. A *statistical section* follows the combining fund statements.

The basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the State's finances in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide

statements except for activities accounted for in fiduciary funds because resources of those funds are not available to support the State's own programs.

- The *statement of net position* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net position*.
- The *statement of activities* presents information showing how the State's net position changed during the fiscal year. All of the changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

Net position is one measure of the State's financial health, or financial position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the State's financial position is improving or deteriorating. However, to assess the overall health of the State, the reader needs to consider additional non-financial factors such as changes in Oregon's income tax base and changes in Oregon's economy.

The activities reported in the government-wide financial statements are divided into three categories:

- *Governmental activities*. This category includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety, and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
- *Business-type activities*. The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. The operation of the State's lottery and the Oregon University System are also reported under business-type activities.
- *Component units*. The State includes four other entities in its report: SAIF Corporation, Oregon Health and Science University, the Oregon University System Foundations, and the Oregon Affordable Housing Assistance Corporation. Although legally separate, these entities are reported as component units either because they are fiscally dependent on the State or because of the nature and significance of their relationship to the State. Financial information for the component units is reported separately from the financial information of the primary government.

The government-wide financial statements can be found on pages 30-33 of this report.

Fund Financial Statements

The fund financial statements provide detail information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. Some funds are required by state law (such as the Lottery Operations Fund) or by bond covenants. The State establishes other funds to control and manage money for particular purposes, such as health and social services, or to show that it is properly using certain taxes and grants, such as gas taxes for transportation.

All of the State's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial resources that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available to spend. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information has been provided following each governmental fund statement that reconciles the government-wide focus to the governmental fund focus.

The State maintains 20 individual governmental funds. Information is presented separately in the governmental fund financial statements for the five major governmental funds, including the General Fund. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements presented later in this report. The basic governmental fund financial statements can be found on pages 34-41 of this report.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term financial information. The State's enterprise funds (one type of proprietary fund) are the same as the business-type activities reported in the government-wide statements, except that the fund statements provide more detail and additional information, such as cash flows. The State also uses internal service funds (the other type of proprietary fund). The Central Services Fund, for example, is used to report activities that provide services to other agencies.

The proprietary fund financial statements provide separate information for the State's four major proprietary funds. Data from the other ten proprietary funds are combined into a single, aggregated presentation. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the nonmajor proprietary funds and for each of the internal service funds is provided in the combining statements presented later in this report. The basic proprietary fund financial statements can be found on pages 42-51 of this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The State is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds. All of the State's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities have been excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

The basic fiduciary fund financial statements include the private purpose trust fund, the investment trust fund, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for each of the pension and other employee benefit trust funds is provided in the combining statements presented later in this report. The basic fiduciary fund financial statements can be found on pages 52-53 of this report.

Discretely Presented Component Units

The State reports one major discretely presented component unit (DPCU) and three nonmajor DPCUs. Within the basic financial statements on pages 55-57, the major DPCU, SAIF Corporation, is presented separately while the nonmajor DPCUs are combined and reported in the aggregate. Individual information for each of the nonmajor DPCUs is provided in the combining statements presented later in this report. In the government-wide statements, the activities of the DPCUs are aggregated into a single column.

Notes to the Financial Statements

The basic financial statements also include notes that provide additional information essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-148 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents a section of *required supplementary information* (RSI), beginning on page 152, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes. This section also includes a Schedule of Funding Progress and accompanying notes for the Public Employees Benefit Board Plan, an agent multiple-employer postemployment healthcare benefit plan, and the Retiree Health Insurance Premium Account, a defined benefit single-employer postemployment healthcare benefit plan.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 164 of this report. These combining statements provide details about the nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and nonmajor discretely presented component units each of which has been aggregated and presented in a single column in the basic financial statements. The combining financial statements also provide details about the pension and other employee benefit trust funds.

A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as demographic, economic, and operating information follows immediately after the combining statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. The State's net position on a government-wide basis at June 30, 2013, was approximately $17 billion as shown in Table 1. Most of this balance was invested in capital assets, with infrastructure being the largest component. The net investment in capital assets was $12 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2013, restricted net position totaled $3.4 billion. The remaining balance of $1.6 billion was classified as unrestricted net position.

Table 1
State of Oregon's Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Other assets and deferred outflows	$ 9,884.7	$ 9,114.8	$ 6,738.9	$ 6,435.7	$ 16,623.6	$ 15,550.5
Capital assets	12,579.9	12,147.2	3,191.3	3,090.8	15,771.2	15,238.0
Total assets and deferred outflows	22,464.6	21,262.0	9,930.2	9,526.5	32,394.8	30,788.5
Long-term liabilities	8,245.6	7,989.9	4,099.0	3,972.1	12,344.6	11,962.0
Other liabilities	2,275.5	2,080.6	813.6	886.5	3,089.1	2,967.1
Total liabilities	10,521.1	10,070.5	4,912.6	4,858.6	15,433.7	14,929.1
Net investment in capital assets	10,636.7	8,888.1	1,383.5	1,383.1	12,020.2	10,271.2
Restricted	2,795.0	3,143.9	549.5	506.0	3,344.5	3,649.9
Unrestricted	(1,488.2)	(840.5)	3,084.6	2,778.8	1,596.4	1,938.3
Total net position	$ 11,943.5	$ 11,191.5	$ 5,017.6	$ 4,667.9	$ 16,961.1	$ 15,859.4

Changes in net position. The State's total net position increased $1.1 billion compared to the prior year. The net position of governmental activities increased 6.7 percent, while the net position of business-type activities increased 7.5 percent.

The ending net position of governmental activities for fiscal year 2013 was $11.9 billion compared to $11.2 billion reported in fiscal year 2012. Operating grants and contributions increased $416 million, reflecting the increase in federal revenues received for health and social service programs.

Both personal and corporate income tax revenues were up in fiscal year 2013. This increase was due to a combination of factors, including an improving labor market as Oregon continues to emerge from the recession, strong growth in the investment income of individual taxpayers, and enhanced collection efforts. Year over year, charges for services increased $198.6 million or 13.9 percent. This increase is primarily due to an increase in long-term services provided by the State for community protection, employment, and residential assistance programs.

Governmental activities expenses increased $203.7 million, or 1.2 percent from fiscal year 2012. This increase was largely due to a combination of increases in expenses in human services and consumer and business services combined with decreases in education and administration. Human services expenses increased $273.2 million, or 3.3 percent, but it was primarily funded by increases in federal revenue. Consumer and business services expenses increased $140.1 million, or 53.2 percent, caused largely by increases in the claims loss liability of the Workers' Benefit Fund. Education expenses decreased by $178.2 million, or 4.4 percent. The decrease is due primarily to the timing of quarterly distributions from the Community College Support Fund to the State's 17 community colleges; five distributions occurred in the prior fiscal year, while three distributions occurred in the current fiscal year. Administration expenses decreased $43.8 million or 12.5 percent, due in part to the disposal of nearly 500 thousand square feet of administrative real property, and the reduction of approximately 87 thousand square feet of office space leased by the State.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2013 was $5 billion, compared to $4.7 billion reported in fiscal year 2012. Although federal funding for unemployment benefits (which is reported under operating grants and contributions) decreased year over year, it was more than offset by a reduction in the operating expenses of the Unemployment Compensation Fund, which dropped $492.8 million, or 28.5 percent. Together, these two changes reflect Oregon's slowly improving unemployment rate.

Table 2
State of Oregon's Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
Revenues:	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 1,624.8	$ 1,426.2	$ 4,556.2	$ 4,397.7	$ 6,181.0	$ 5,823.9
Operating grants and contributions	7,816.7	7,400.7	1,139.9	1,621.3	8,956.6	9,022.0
Capital grants and contributions	30.7	37.1	60.0	36.8	90.7	73.9
General revenues:						
Personal income taxes	6,320.5	5,901.4	-	-	6,320.5	5,901.4
Corporate income taxes	463.0	440.4	-	-	463.0	440.4
Other taxes	2,287.9	2,258.6	16.4	16.9	2,304.3	2,275.5
Unrestricted investment earnings	4.9	11.2	-	-	4.9	11.2
Total revenues	18,548.5	17,475.6	5,772.5	6,072.7	24,321.0	23,548.3
Expenses:						
Education	3,883.6	4,061.8	-	-	3,883.6	4,061.8
Human services	8,459.7	8,186.5	-	-	8,459.7	8,186.5
Public safety	1,256.1	1,235.6	-	-	1,256.1	1,235.6
Economic & community development	423.2	416.7	-	-	423.2	416.7
Natural resources	637.9	619.5	-	-	637.9	619.5
Transportation	1,407.5	1,394.8	-	-	1,407.5	1,394.8
Consumer and business services	403.7	263.6	-	-	403.7	263.6
Administration	305.8	349.6	-	-	305.8	349.6
Legislative	40.8	34.8	-	-	40.8	34.8
Judicial	311.4	326.8	-	-	311.4	326.8
Interest on long-term debt	331.5	367.8	-	-	331.5	367.8
Housing and community services	-	-	67.9	75.9	67.9	75.9
Lottery operations	-	-	494.3	534.0	494.3	534.0
Unemployment compensation	-	-	1,236.6	1,729.4	1,236.6	1,729.4
University system	-	-	2,412.1	2,300.5	2,412.1	2,300.5
State hospitals	-	-	254.0	270.8	254.0	270.8
Liquor control	-	-	367.2	344.5	367.2	344.5
Other business-type activities	-	-	324.5	287.3	324.5	287.3
Total expenses	17,461.2	17,257.5	5,156.6	5,542.4	22,617.8	22,799.9
Increase (decrease) before contributions, special and extraordinary items, and transfers	1,087.3	218.1	615.9	530.3	1,703.2	748.4
Contributions to permanent funds	0.2	0.1	-	-	0.2	0.1
Additions to permanent endowments	-	-	0.2	0.2	0.2	0.2
Transfers	107.4	125.9	(107.4)	(125.9)	-	-
Increase (decrease) in net position	1,194.9	344.1	508.7	404.6	1,703.6	748.7
Net position – beginning	11,191.5	10,828.8	4,667.9	4,244.7	15,859.4	15,073.5
Prior period adjustments	(442.9)	18.6	(159.0)	18.6	(601.9)	37.2
Net position – beginning – as restated	10,748.6	10,847.4	4,508.9	4,263.3	15,257.5	15,110.7
Net position – ending	$11,943.5	$11,191.5	$ 5,017.6	$ 4,667.9	$16,961.1	$15,859.4

Figure 1 below illustrates fiscal year 2013 revenues of the State as a whole, by source. Approximately 36.8 percent of total revenue was provided by other entities and governments in the form of operating grants and contributions (e.g., federal revenues). Personal and corporate income taxes provided 27.9 percent of total revenues, while charges for services accounted for 25.4 percent.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2013

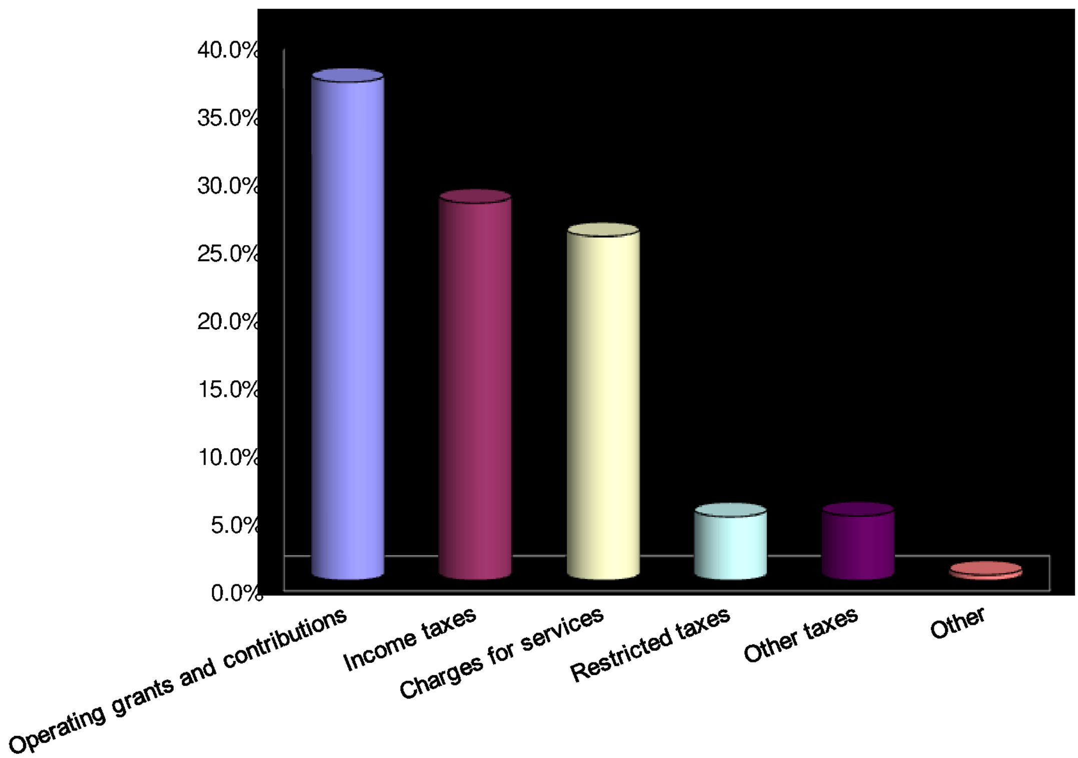
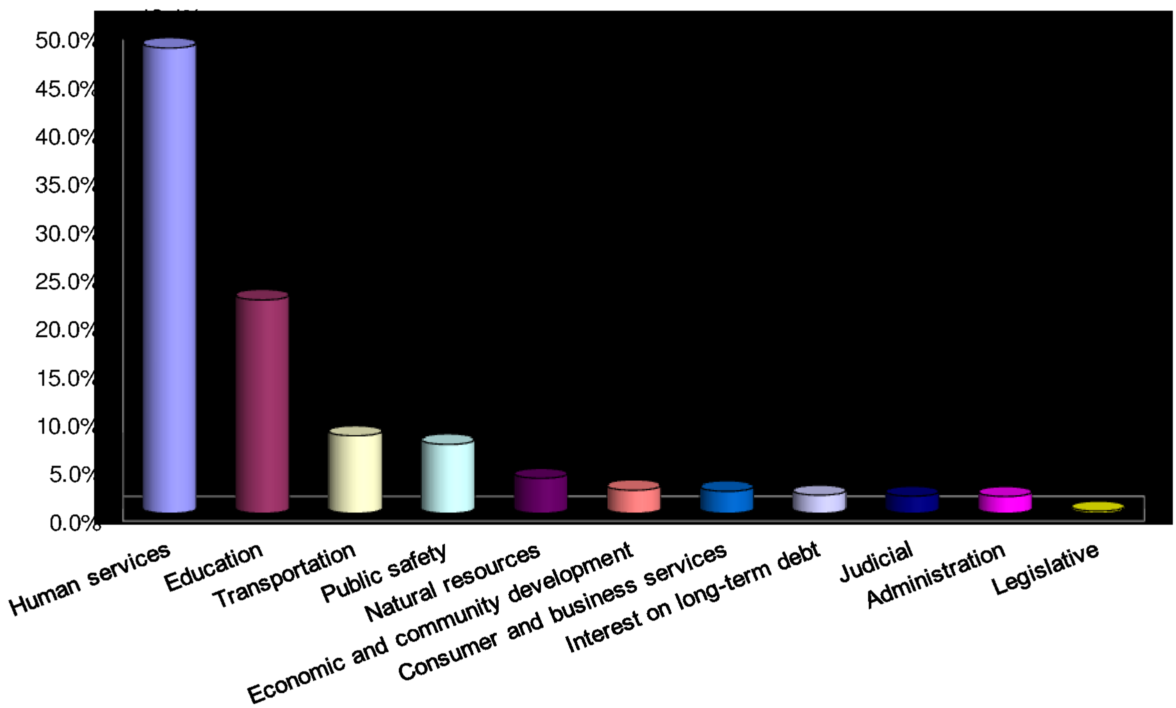


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 48.4 percent of total expenses. Elementary and secondary education accounted for 22.2 percent of the total.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2013



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State of Oregon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, such information may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2013, the State's governmental funds reported combined ending fund balances of $4.9 billion, up $236.7 million compared to the prior year.

Nonspendable balances of $97 million, or 2 percent, included amounts that were either not in spendable form or were legally or contractually required to be maintained intact, while restricted fund balances of $3.7 billion, or 74.8 percent, were restricted for specific purposes. These restrictions included, for example, vehicle-related taxes that must be used for transportation purposes; federal funding that must be spent in accordance with the underlying grants; and lottery revenues restricted by the Oregon Constitution for job creation, economic development, financing public education, and restoring and protecting Oregon's parks and beaches.

Committed fund balances of $598.5 million comprised 12.1 percent of total fund balances. This category represents amounts committed to specific purposes, such as residential assistance and community protection programs, as the result of constraints imposed by legislation. These amounts may not be used for other purposes unless the legislation is modified or rescinded by passing additional legislation. The assigned fund balance category of $20.2 million represents amounts constrained by the State's intent to use them for specific purposes. Legislative authority is not required to create or modify an assignment. The unassigned fund balance category of $527.7 million represents the residual amount applicable to the General Fund only.

The General Fund, which is the operating fund of the State, ended fiscal year 2013 with a total fund balance of $783.9 million. This represents a $742.4 million increase over the prior year's ending fund balance. Total revenues grew by 3.9 percent, while transfers from other funds increased 45 percent. Prior period adjustments of $265.8 million further increased fund balance, the most significant being the movement of $306 million of prior year human service program expenditures from the General Fund to the Health and Social Services Fund. Significant revenue contributors included personal income taxes, which rose $349.6 million, or 6 percent, and corporate income taxes, which gained $17 million, or 3.8 percent. Personal income tax collections grew strongly during the April 2013 filing season as the 2012 gains seen in stock markets and across other investments were realized for tax purposes. In addition to increased revenues, total General Fund expenditures were down 3.3 percent. Spending on human services declined 10.7 percent year over year.

Due to the implementation of GASB Statement No. 54, the State now reports the Oregon Rainy Day Fund as part of the General Fund. Beginning fund balance for the separate Rainy Day Fund was $61.5 million. During the current fiscal year, the fund balance increased $355 thousand to $61.9 million, attributed entirely to investment earnings. The ending fund balance of the Rainy Day Fund is classified as committed fund balance.

The activity of the Health and Social Services Fund was largely comparable to the prior year. While there was an increase of federal grant revenue of $416.8 million, there was also an increase of $465.7 million in spending on human services programs. The fund balance decrease of $216.3 (48.1 percent) million was largely the result of prior period adjustments of $328.4 million. The most significant prior period adjustment was the recognition $306 million of prior year human services program expenditures that were previously reported in the General Fund. The adjustment was made for federal grant purposes, as allowed by federal oversight agencies.

Due to the significant reduction in federal stimulus programs and other federal highway programs, federal revenues reported by the Public Transportation Fund declined $94.5 million, or 15.3 percent. In addition, charges for services fell $19.4 million, or 42.8 percent. These revenue reductions were accompanied by a small increase in transportation spending as part of the Jobs and Transportation Act. This combination of lower revenues and higher expenditures reduced fund balance by $221.9 million, or 27.5 percent.

Ending fund balance in the Environmental Management Fund decreased $4.1 million, or 0.5 percent. Revenues decreased $48.4 million (10.2 percent) largely due to the phase out of federal stimulus programs while total expenditures remained nearly flat with a decrease of only 1.9 percent. Other major contributors to the decrease in fund balance was the issuance of $17 million general obligation bonds to fund environmental clean-up projects and $13.6 million in prior period adjustments. The most significant prior period adjustment was made at the Parks and Recreation Department due to deferred revenue being recognized in the wrong period.

The Common School Fund experienced a 11 percent growth in fund balance for fiscal year 2013. Due to improvements in market performance, financial assets returned $143.3 million in investment income in the current year compared to a negative $8.3 million in the prior year. Revenue related to unclaimed property grew to $22.1 million, an increase of 44.1 percent compared to the $15.3 million reported in fiscal year 2012.

Proprietary funds. The State's enterprise funds provide the same type of information presented for business-type activities in the government-wide financial statements, but in more detail.

Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and low to moderate income persons through the issuance of bonds. For fiscal year 2013, the Housing and Community Services Fund reported an operating loss of $1.8 million; reduced mortgage loan balances resulted in a decrease of $9.7 million, or 14 percent, in loan interest income; investment earnings were down $16.4 million from fiscal year 2012, with $7 million of the decline attributable to the decline investment fair values. These reductions to income were partially offset by reduced operating expenses, however the net effect was a $5.2 million decrease in net position for fiscal year 2013.

The net position of the Lottery Operations Fund increased $16.3 million in fiscal year 2013. The Lottery reported an increase in net product sales; current year sales were up $17.6 million, or 1.7 percent. This increase was primarily attributable to an increase in Video Lottery[SM] revenue. During the year, new game sets were deployed on select Video Lottery[SM] terminals to offer a wide variety of game choices that appeal to a

diverse audience. This is the third consecutive year of slight gains in Video Lottery[SM] revenue, as economic conditions have slowly improved. Operating expenses decreased 7.8 percent as a result of several factors, including lower prize expenses compared to fiscal year 2012 when a significant prize was won. The increase in net sales combined with the decrease in operating expenses made it possible for the Lottery to transfer $546.9 million to the Economic Development Fund, an increase of $23.3 million over the prior year.

For fiscal year 2013, assessments in the Unemployment Compensation Fund were comparable to those collected in fiscal year 2012 at $1.1 billion. While federal revenues declined for the third year in a row, down $415.6 million, or 44.7 percent, benefit payments to unemployed Oregonians continued to decrease, down $471.8 million, or 27.6 percent. These two factors reflect Oregon's declining unemployment rate and, in some cases, the expiration of extended benefits. Because of these changes, the net position of the Unemployment Compensation Fund increased $384.4 million, or 24.7 percent.

The University System Fund saw a modest decrease in fund net position, down 5.6 percent from fiscal year 2012. Total operating revenues increased 2.6 percent, in part as the result of increased student tuition and fees. At the same time, operating expenses increased 4.4 percent, or $97 million. The net result was an operating loss of $444.6 million for fiscal year 2013, an amount which was 12.7 percent greater than the operating loss reported in the prior year. The University System Fund received a transfer of $360 million from the General Fund, however still experienced an $87.4 million decrease in net position for the year.

In fiscal year 2013, the other (nonmajor) proprietary funds realized increased operating revenues, primarily sales revenue in the Liquor Control Fund. Operating expenses also increased by a smaller percentage, resulting in an operating loss of $47 million. Transfers from the General Fund to the State Hospital Fund for $234.6 million helped nonmajor proprietary funds in total realize an increase in net position over fiscal year 2012.

At the end of fiscal year 2013, approximately 61.5 percent of the net position reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-type activities. However, restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 96.9 percent of the fund's net position restricted for debt service. In the University System Fund, the net investment in capital assets was 63.5 percent of net position, while 22.4 percent was restricted for education, debt service, capital construction, and purposes stipulated by donors.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The net position of the Pension and Other Employee Benefit Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, increased by $5.9 billion, or 9.9 percent. The net increase in the fair value of investments of $7.3 billion was the primary factor contributing to this increase. The net position of all fiduciary funds is reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the budgetary statements represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budgeted expenditures represent the original appropriated budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year. For the 2011-13 biennium, final estimated revenues for the General Fund increased slightly compared to the original estimate. The General Fund's final budgeted expenditures increased by $126 million, or 0.9 percent.

For fiscal year 2013, actual General Fund revenues and other financing sources exceeded actual expenditures and other financing uses by $926.6 million, leaving an ending budget balance of $966.6 million. Actual revenues for the biennium were 99.8 percent of final budgeted revenues, or $13.7 billion, while actual cash expenditures were 98 percent of those budgeted, or $13.4 billion. The remaining budget is expected to be used during the six-month lapse period from July 1 to December 31, 2013, to pay for obligations incurred prior to July 1, 2013. To manage differences in the timing of cash flows, the State issued $642.4 million of tax anticipation notes in August 2013. These notes will be repaid with income tax revenue prior to the end of fiscal year 2014.

DEBT ADMINISTRATION

The State Debt Policy Advisory Commission advises the Governor and the legislative assembly regarding policies and actions that enhance and preserve the State's credit rating and maintain the future availability of low cost capital financing. The State's debt credit ratings, unchanged from the prior year at AA+ by Fitch, AA+ by Standard & Poor's, and Aa1 by Moody's, are an indication of the State's ability to repay its debt.

Debt outstanding for the years ended June 30, 2013 and 2012 is summarized in Table 3. In fiscal year 2013, the State issued general obligation bonds to finance or refinance prison construction, the Public Safety Training Academy, purchase of the new Oregon Department of Fish and Wildlife headquarters building, various facilities projects of the Department of Administrative Services and the acquisition and construction of new higher education facilities.

During fiscal year 2013, revenue bonds were issued for transportation and economic development projects, residential assistance for low-income families and capital construction and deferred maintenance on higher education facilities. The majority of new revenue bonds issued for business-type activities in fiscal year 2013 were single-family mortgage bonds.

The State was involved in 8 separate debt refunding issuances in fiscal year 2013 and refunded $656.2 million of previously existing debt with $677.9 million of new debt. Additional information on the State's long-term debt may be found in Note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2013 and 2012
(in millions)

			2013 Over (Under) 2012	
	2013	2012	Amount	Percent
General Obligation Bonds	$ 5,403.6	$ 5,270.4	$ 133.2	2.5%
Revenue Bonds	4,649.7	4,685.3	(35.6)	-0.8%
Certificates of Participation	777.2	1,082.1	(304.9)	-28.2%
General Appropriation Bonds	29.1	102.8	(73.7)	-71.7%
Total	$ 10,859.6	$ 11,140.6	$ (281.0)	-2.5%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2013, was $15.8 billion (net of accumulated depreciation) as summarized in Table 4. Capital assets include land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and other nondepreciable assets. The State's investment in capital assets for fiscal year 2013 increased $533.2 million, or 3.5 percent.

Table 4
State of Oregon's Capital Assets, Net of Depreciation
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 1,844.4	$ 1,782.6	$ 142.2	$ 135.1	$ 1,986.6	$ 1,917.7
Buildings, property and equipment	1,899.9	1,848.0	2,759.8	2,514.5	4,659.7	4,362.5
Construction in progress	1,285.6	1,253.1	148.5	320.8	1,434.1	1,573.9
Infrastructure	7,548.1	7,261.5	66.2	51.7	7,614.3	7,313.2
Works of art and other nondepreciable assets	1.9	2.0	74.6	68.7	76.5	70.7
Total	$ 12,579.9	$ 12,147.2	$ 3,191.3	$ 3,090.8	$ 15,771.2	$ 15,238.0

Major capital asset events during the fiscal year included the following:

- The State's outstanding construction commitments related to highway and bridge construction totaled $1 billion at June 30, 2013.
- The statewide increase in infrastructure along with buildings, property and equipment was primarily due to the completion of projects or project phases related to state highways, tunnels, bridges and higher education facilities.

Additional information on the State's capital assets may be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

Oregon's unemployment rate for November 2013 was 7.3 percent compared to 8.4 percent in November 2012. The U.S. unemployment rate for November 2013 was 7 percent. Since reaching a high point of 11.6 percent in May and June 2009, the rate has slowly declined over the past three and a half years.

The recent acceleration of private sector employment growth in Oregon is expected to hold steady over the next two to three years before longer-run demographic trends weigh on growth. There is the potential for a temporary slowdown in growth as another round of sequester cuts begin in 2014 or should the housing recovery falter due to higher interest rates and home prices, however expectations are even if this is the case, for growth to strengthen once again as the economy works through these temporary slowdowns. Public sector layoffs are projected to stop by the end of the year with only modest gains thereafter, approximately in-line with population growth.

Although labor market conditions have improved, overall revenue growth is expected to remain somewhat modest. Underlying job gains, while accelerating, are not expected to match the pace seen during previous periods of economic expansion. Also, personal income taxes based on investment income are expected to grow slowly in the near term.

Although the revenue outlook for the 2013-15 biennium remains on track, many risks to the outlook remain. The primary downside risk facing the near-term revenue forecast is the uncertain future of the nationwide economic expansion. Should federal policy woes or economic weakness among our trading partners derail the U.S. economy, the expected growth in Oregon's tax collections will not come to pass. On the upside, if asset markets maintain their recent gains or if Oregon's traditionally strong migration trends and labor force growth reappear, a short-term revenue boom remains possible during the 2013-15 budget period.

Revenue growth in Oregon will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

The December 2013 forecast for General Fund revenues for the 2013-15 biennium is $15.8 billion. This figure is $120 million above the amount forecasted at the close of the 2013 legislative session. The projected General Fund ending balance for the 2013-15 biennium is $217.2 million. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 10.8 percent to $17.5 billion in 2015-17 and 9 percent to $19 billion in 2017-19.

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Basic Financial Statements

Statement of Net Position
June 30, 2013
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,267,050	$ 2,493,849	$ 4,760,899	$ 257,133
Cash and Cash Equivalents - Restricted	-	53,144	53,144	-
Investments	1,220,880	19,717	1,240,597	4,612,871
Investments - Restricted	-	33,988	33,988	-
Securities Lending Collateral	275,077	164,941	440,018	315,896
Accounts and Interest Receivable (net)	810,078	565,185	1,375,263	640,055
Taxes Receivable (net)	563,468	-	563,468	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	184,693
Internal Balances	148,192	(148,192)	-	-
Due from Component Units	2,868	19,793	22,661	-
Due from Other Governments	72	10,124	10,196	1,946
Due from Primary Government	-	-	-	13,783
Inventories	80,104	40,768	120,872	19,914
Prepaid Items	5,291	25,400	30,691	62,708
Foreclosed and Deeded Property	-	4,896	4,896	-
Total Current Assets	5,373,080	3,283,613	8,656,693	6,108,999
Noncurrent Assets:				
Cash and Cash Equivalents	-	48,899	48,899	-
Cash and Cash Equivalents - Restricted	934,856	535,241	1,470,097	-
Investments	151,430	114,603	266,033	571,749
Investments - Restricted	246,702	690,337	937,039	1,845,986
Custodial Assets	19,954	-	19,954	-
Taxes Receivable (net)	571,241	-	571,241	-
Deferred Charges	32,369	13,333	45,702	9,647
Interfund Loans	(219)	219	-	-
Advances to Component Units	-	39,799	39,799	-
Net Contracts, Notes, and Other Receivables	424,695	126,316	551,011	4,690
Loans Receivable (net)	580,198	1,856,756	2,436,954	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	102,618
Net Pension Asset	1,550,400	-	1,550,400	-
Capital Assets:				
Land	1,844,447	142,219	1,986,666	82,701
Buildings, Property, and Equipment	3,412,619	4,662,133	8,074,752	2,384,023
Construction in Progress	1,285,577	148,524	1,434,101	234,906
Infrastructure	16,577,384	123,647	16,701,031	-
Works of Art and Other Nondepreciable Assets	1,924	74,630	76,554	-
Less Accumulated Depreciation and Amortization	(10,542,029)	(1,959,882)	(12,501,911)	(1,212,139)
Total Noncurrent Assets	17,091,548	6,616,774	23,708,322	4,024,181
Total Assets	22,464,628	9,900,387	32,365,015	10,133,180
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	29,828	29,828	17,060
Total Deferred Outflows of Resources	-	29,828	29,828	17,060

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
June 30, 2013
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	821,212	223,351	1,044,563	303,200
Obligations Under Securities Lending	275,077	164,941	440,018	315,817
Due to Component Units	17,553	6,302	23,855	-
Due to Other Governments	173,725	5,928	179,653	24,819
Due to Primary Government	-	-	-	28,216
Unearned Revenue	26,824	133,393	160,217	254,434
Matured Bonds/COPs and Coupons Payable	-	1,290	1,290	-
Compensated Absences Payable	115,868	50,349	166,217	59,427
Reserve for Loss and Loss Adjustment Expense	-	-	-	243,397
Claims and Judgments Payable	120,182	18,090	138,272	18,303
Lottery Prize Awards Payable	-	32,498	32,498	-
Arbitrage Rebate Payable	755	330	1,085	-
Custodial Liabilities	250,037	58,928	308,965	10,174
Contracts, Mortgages and Notes Payable	125,950	15,593	141,543	1,954
Bonds/COPs Payable	343,518	102,545	446,063	12,151
Obligations Under Capital Lease	1,827	79	1,906	613
Pollution Remediation Obligation	2,973	21	2,994	-
Total Current Liabilities	2,275,501	813,638	3,089,139	1,272,505
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	-	-	-	89,237
Compensated Absences Payable	62,388	18,534	80,922	-
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,809,214
Claims and Judgments Payable	1,067,255	10,677	1,077,932	43,521
Lottery Prize Awards Payable	-	127,560	127,560	-
Arbitrage Rebate Payable	520	18,397	18,917	-
Custodial Liabilities	3,291	11,908	15,199	-
Contracts, Mortgages, and Notes Payable	359,053	138,542	497,595	59,340
Bonds/COPs Payable	6,692,754	3,718,339	10,411,093	730,001
Obligations Under Capital Lease	962	481	1,443	690
Advances from Primary Government	-	-	-	39,799
Pollution Remediation Obligation	9,562	-	9,562	-
Net OPEB Obligation	49,838	24,726	74,564	9,352
Derivative Instrument Liabilities	-	29,801	29,801	17,060
Total Noncurrent Liabilities	8,245,623	4,098,965	12,344,588	3,798,214
Total Liabilities	10,521,124	4,912,603	15,433,727	5,070,719
NET POSITION				
Net Investment in Capital Assets	10,636,687	1,383,562	12,020,249	737,389
Restricted-Nonexpendable	14,511	16,785	31,296	1,176,142
Restricted for:				
Health and Social Services Programs	163,055	-	163,055	-
Transportation Programs	454,122	-	454,122	-
Natural Resource Programs	688,732	114	688,846	-
Education	1,187,784	148,249	1,336,033	884,803
Community Protection	27,727	-	27,727	-
Consumer Protection	34,721	-	34,721	-
Employment Services	10,671	-	10,671	-
Workers' Compensation	-	-	-	1,396,883
Residential Assistance	91,245	2,273	93,518	-
Debt Service	6,435	273,749	280,184	-
Capital Projects	858	108,316	109,174	-
Other Purposes	115,128	-	115,128	-
Unrestricted	(1,488,172)	3,084,564	1,596,392	884,304
Total Net Position	$ 11,943,504	$ 5,017,612	$ 16,961,116	$ 5,079,521

Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
Primary Government:					
Governmental Activities:					
Education	$ 3,883,592	$ 7,370	$ 644,912	$ -	$ (3,231,310)
Human Services	8,459,678	639,524	5,650,336	2,187	(2,167,631)
Public Safety	1,256,086	59,551	172,603	13,676	(1,010,256)
Economic and Community Development	423,191	54,397	316,383	-	(52,411)
Natural Resources	637,929	301,196	328,778	1,914	(6,041)
Transportation	1,407,506	147,234	492,082	12,622	(755,568)
Consumer and Business Services	403,725	124,698	13,787	-	(265,240)
Administration	305,791	91,626	195,513	-	(18,652)
Legislative	40,828	1,242	6	18	(39,562)
Judicial	311,401	197,966	2,266	246	(110,923)
Interest on Long-term Debt	331,531	-	-	-	(331,531)
Total Governmental Activities	17,461,258	1,624,804	7,816,666	30,663	(7,989,125)
Business-type Activities:					
Housing and Community Services	67,918	65,873	(2,509)	-	(4,554)
Lottery Operations	494,337	1,069,064	(2,983)	-	571,744
Unemployment Compensation	1,236,639	1,092,890	551,396	4,696	412,343
University System	2,412,100	1,438,948	584,081	54,574	(334,497)
State Hospitals	253,960	73,932	-	-	(180,028)
Liquor Control	367,141	502,919	-	-	135,778
Other Business-type Activities	324,463	312,540	9,903	778	(1,242)
Total Business-type Activities	5,156,558	4,556,166	1,139,888	60,048	599,544
Total Primary Government	$ 22,617,816	$ 6,180,970	$ 8,956,554	$ 90,711	$ (7,389,581)
Component Units:					
SAIF Corporation	$ 602,756	$ 426,592	$ 398,179	$ -	$ 222,015
Other Component Units	2,337,976	1,701,475	973,826	9,013	346,338
Total Component Units	$ 2,940,732	$ 2,128,067	$ 1,372,005	$ 9,013	$ 568,353

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Position:				
Net (Expense) Revenue	$ (7,989,125)	$ 599,544	$ (7,389,581)	$ 568,353
General Revenues:				
Taxes:				
Personal Income Taxes	6,320,497	-	6,320,497	-
Corporate Income Taxes	463,012	-	463,012	-
Tobacco Taxes	254,483	-	254,483	-
Healthcare Provider Taxes	414,267	-	414,267	-
Inheritance Taxes	99,318	-	99,318	-
Public Utilities Taxes	85,781	-	85,781	-
Insurance Premium Taxes	103,251	-	103,251	-
Other Taxes	186,038	16,388	202,426	-
Restricted for Transportation Purposes:				
Motor Fuels Taxes	487,308	-	487,308	-
Weight Mile Taxes	251,518	-	251,518	-
Vehicle Registration Taxes	282,857	-	282,857	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	50,242	-	50,242	-
Employer-Employee Taxes	72,861	-	72,861	-
Total Taxes	9,071,433	16,388	9,087,821	-
Unrestricted Investment Earnings	4,917	-	4,917	-
Contributions to Permanent Funds	228	-	228	-
Additions to Permanent Endowments	-	241	241	-
Transfers - Internal Activities	107,437	(107,437)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	9,184,015	(90,808)	9,093,207	-
Change in Net Position	1,194,890	508,736	1,703,626	568,353
Net Position - Beginning	11,191,524	4,667,866	15,859,390	4,535,425
Prior Period Adjustments	(442,910)	(158,990)	(601,900)	(24,257)
Net Position - Beginning - As Restated	10,748,614	4,508,876	15,257,490	4,511,168
Net Position - Ending	$ 11,943,504	$ 5,017,612	$ 16,961,116	$ 5,079,521

Balance Sheet
Governmental Funds
June 30, 2013
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	$ 639,735	$ 216,099	$ 527,574
Investments	12,098	-	100,117
Custodial Assets	-	-	-
Securities Lending Collateral	85,671	10,460	40,805
Accounts and Interest Receivable (net)	14,665	346,573	72,501
Taxes Receivable (net)	1,033,970	10,672	72,044
Due from Other Funds	237,141	21,825	11,525
Due from Component Units	-	2,868	-
Due from Other Governments	-	-	4
Inventories	18,824	899	29,229
Prepaid Items	1,518	-	159
Advances to Other Funds	-	-	-
Net Contracts, Notes and Other Receivables	38,894	37,618	4,226
Loans Receivable (net)	-	876	30,135
Total Assets	$ 2,082,516	$ 647,890	$ 888,319
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 205,763	$ 176,166	$ 148,741
Obligations Under Securities Lending	85,671	10,460	40,805
Due to Other Funds	177,915	30,666	18,378
Due to Component Units	-	13,635	-
Due to Other Governments	45,113	1,844	73,392
Deferred Revenue	774,444	38,321	21,859
Custodial Liabilities	9,112	32,171	475
Contracts, Mortgages, and Notes Payable	-	111,000	-
Advances from Other Funds	616	-	-
Total Liabilities	1,298,634	414,263	303,650
Fund Balances:			
Nonspendable	20,361	951	29,366
Restricted by:			
Federal Laws and Regulations	213	-	33,903
Oregon Constitution	38,674	1,462	378,952
Enabling Legislation	65,798	182,209	34,859
Debt Covenants	1,556	27,036	107,589
Donors and Other External Parties	-	4,841	-
Committed	83,083	62,682	-
Assigned	-	-	-
Unassigned	574,197	(45,554)	-
Total Fund Balances	783,882	233,627	584,669
Total Liabilities and Fund Balances	$ 2,082,516	$ 647,890	$ 888,319

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ 440,391	$ 41,551	$ 882,565	$ 2,747,915
-	1,159,083	263,271	1,534,569
1,028	15,055	3,870	19,953
29,205	24,962	38,323	229,426
42,608	15,096	245,546	736,989
-	-	18,023	1,134,709
24,650	431	143,995	439,567
-	-	-	2,868
-	-	68	72
27,043	3	2,553	78,551
139	-	2,183	3,999
-	300	-	300
17,877	1,084	324,985	424,684
375,601	-	173,565	580,177
$ 958,542	$ 1,257,565	$ 2,098,947	$ 7,933,779
$ 27,753	$ 34,122	$ 135,775	$ 728,320
29,205	24,962	38,323	229,426
7,606	2,684	56,130	293,379
-	-	3,918	17,553
17,777	-	35,599	173,725
30,815	1,084	329,626	1,196,149
3,954	195,979	6,598	248,289
-	-	3,000	114,000
300	-	67	983
117,410	258,831	609,036	3,001,824
27,320	3	19,001	97,002
542,798	-	86,125	663,039
50,859	724,614	297,813	1,492,374
110,049	274,059	312,452	979,426
61,742	-	342,043	539,966
1,298	58	7,583	13,780
41,459	-	411,299	598,523
5,607	-	14,557	20,164
-	-	(962)	527,681
841,132	998,734	1,489,911	4,931,955
$ 958,542	$ 1,257,565	$ 2,098,947	$ 7,933,779

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013
(In Thousands)

Total fund balances of governmental funds		$ 4,931,955
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	1,835,104	
Buildings, property, and equipment	2,824,802	
Construction in progress	1,270,007	
Infrastructure	16,576,747	
Works of art and other nondepreciable assets	1,757	
Accumulated depreciation and amortization	(10,202,078)	
Total capital assets		12,306,339
The net pension asset resulting from contributions in excess of the annual required contribution in 2004 is not a financial resource and, therefore, is not reported in the funds. (See Note 15)		1,550,400
Some of the State's revenues will be collected after year-end but are not available soon enough to pay the current year liabilities and, therefore, are deferred in the funds.		1,170,313
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		492,609
Unamortized debt issuance costs are reported as deferred charges for governmental activities in the Statement of Net Position but are reported as expenditures in the funds.		31,761
Some liabilities are not due and payable in the current year and, therefore, are not reported in the funds. Those liabilities consist of:		
Bonds and COPs	(6,931,643)	
Accrued interest on bonds and COPs	(48,745)	
Claims and judgments	(980,753)	
Compensated absences	(166,912)	
Net OPEB obligation	(47,671)	
Arbitrage rebate	(1,275)	
Pollution remediation obligation	(12,535)	
Contracts, mortgages, and notes payable	(350,339)	
Total long-term liabilities		(8,539,873)
Net position of governmental activities		$ 11,943,504

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(In Thousands)

	General	Health and Social Services	Public Transportation
REVENUES			
Personal Income Taxes	$ 6,225,627	$ -	$ -
Corporate Income Taxes	458,757	-	-
Tobacco Taxes	66,324	189,940	-
Healthcare Provider Taxes	-	414,267	-
Inheritance Taxes	102,340	-	-
Public Utilities Taxes	-	-	-
Insurance Premium Taxes	52,598	50,653	-
Motor Fuels Taxes	-	-	487,930
Weight-Mile Taxes	-	-	251,528
Vehicle Registration Taxes	-	-	282,601
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	82,916	-	1,860
Licenses and Fees	34,383	15,831	86,571
Federal	153	4,386,629	523,304
Charges for Services	21,159	213,495	25,891
Fines, Forfeitures, and Penalties	76,355	202	4,721
Rents and Royalties	554	15	5,750
Investment Income	4,918	1,739	8,811
Sales	1,623	3,514	12,406
Donations and Grants	1,157	1,590	35
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	78,909	-
Pension Bond Debt Service Assessments	-	-	-
Unclaimed and Escheat Property Revenue	-	-	-
Other	18,197	346,729	10,971
Total Revenues	7,147,061	5,703,513	1,702,379
EXPENDITURES			
Current:			
Education	3,248,334	-	-
Human Resources	1,663,777	5,599,677	-
Public Safety	930,861	-	-
Economic and Community Development	28,940	-	-
Natural Resources	92,258	-	-
Transportation	8,763	-	1,676,884
Consumer and Business Services	5,112	12	-
Administration	243,075	11	48,703
Legislative	36,727	-	-
Judicial	273,581	1,093	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	90,741	-	-
Interest	57,809	61	419
Other Debt Service	875	31	430
Total Expenditures	6,680,853	5,600,885	1,726,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	466,208	102,628	(24,057)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	1,363,011	164,920	39,371
Transfers to Other Funds	(1,353,262)	(162,546)	(271,319)
Insurance Recoveries	244	-	-
Long-term Debt Issued	-	6,380	30,131
Debt Issuance Premium	-	465	5,257
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	9,993	9,219	(196,560)
Net Change in Fund Balances	476,201	111,847	(220,617)
Fund Balances - Beginning	41,486	449,956	806,566
Prior Period Adjustments	265,781	(328,431)	(4,960)
Fund Balances - Beginning - As Restated	307,267	121,525	801,606
Change in Inventories	414	255	3,680
Fund Balances - Ending	$ 783,882	$ 233,627	$ 584,669

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ -	$ -	$ -	$ 6,225,627
-	-	-	458,757
-	-	-	256,264
-	-	-	414,267
-	-	-	102,340
-	-	85,781	85,781
-	-	-	103,251
-	-	-	487,930
-	-	-	251,528
-	-	-	282,601
-	-	72,861	72,861
-	-	50,241	50,241
23,176	-	70,467	178,419
124,674	847	199,927	462,233
133,807	-	2,436,486	7,480,379
34,918	107	60,848	356,418
607	63	37,994	119,942
2,713	4,532	2,694	16,258
11,582	143,290	20,677	191,017
84,096	645	3,512	105,796
998	1	28,913	32,694
-	-	227	227
-	-	-	78,909
-	-	6,196	6,196
-	22,057	-	22,057
8,331	2,505	42,790	429,523
424,902	174,047	3,119,614	18,271,516
-	-	636,059	3,884,393
-	-	1,281,238	8,544,692
-	-	310,196	1,241,057
-	-	391,411	420,351
493,204	18,782	43,362	647,606
-	-	9,032	1,694,679
-	-	264,577	269,701
-	-	56,811	348,600
-	-	2,678	39,405
-	-	43,535	318,209
-	-	88,583	88,583
-	-	266,365	357,106
1	-	280,355	338,645
326	-	1,778	3,440
493,531	18,782	3,675,980	18,196,467
(68,629)	155,265	(556,366)	75,049
97,905	2,377	1,141,717	2,809,301
(66,526)	(60,107)	(765,600)	(2,679,360)
121	1,851	8	2,224
16,950	-	54,725	108,186
2,764	-	38,639	47,125
-	-	212,319	212,319
-	-	(246,543)	(246,543)
51,214	(55,879)	435,265	253,252
(17,415)	99,386	(121,101)	328,301
845,234	899,400	1,652,617	4,695,259
13,599	(52)	(41,371)	(95,434)
858,833	899,348	1,611,246	4,599,825
(286)	-	(234)	3,829
$ 841,132	$ 998,734	$ 1,489,911	$ 4,931,955

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Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

Net change in fund balances of total governmental funds		$ 328,301
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported as an expenditure in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Capital outlay	745,165	
Depreciation expense	(305,522)	
Excess of capital outlays over depreciation		439,643
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position.		(5,779)
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Position.		(367,630)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position.		603,649
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these items are deferred and amortized in the Statement of Activities.		11,008
Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.		
Accrued interest on long-term debt	238	
Claims and judgments payable	(134,402)	
Compensated absences	(2,891)	
Net pension asset	(66,600)	
Net OPEB obligation	(6,430)	
Pollution remediation obligation	(1,872)	
Contracts, mortgages, and notes payable	17,264	
Total		(194,693)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		5
Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues and are deferred in the governmental funds.		282,282
The change in inventory is reported as a separate line after the change in fund balances in governmental funds but is included in expenses in the Statement of Activities.		3,829
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported within governmental activities.		94,275
Change in net position of governmental activities		$ 1,194,890

Statement of Net Position
Proprietary Funds
June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 5,470	$ 245,586	$ 1,592,465
Cash and Cash Equivalents - Restricted	7,917	-	38
Investments	-	12,706	-
Investments - Restricted	33,988	-	-
Securities Lending Collateral	3,849	89,839	1,088
Accounts and Interest Receivable (net)	6,067	22,983	295,821
Due from Other Funds	79	-	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	10,124
Inventories	-	1,498	-
Prepaid Items	15	591	-
Foreclosed and Deeded Property	3,809	-	-
Total Current Assets	61,194	373,203	1,899,536
Noncurrent Assets:			
Cash and Cash Equivalents	-	48,899	-
Cash and Cash Equivalents - Restricted	53,662	-	1,827
Investments	-	114,603	-
Investments - Restricted	325,620	-	-
Deferred Charges	9,019	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	3,029	69,053
Loans Receivable (net)	1,079,738	-	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	163	183,921	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	-	-
Less Accumulated Depreciation and Amortization	(153)	(147,873)	-
Total Noncurrent Assets	1,468,049	202,579	70,880
Total Assets	1,529,243	575,782	1,970,416
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decrease in Fair Value of Hedging Derivatives	27,550	-	-
Total Deferred Outflows of Resources	27,550	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds University System	Other	Total	Governmental Activities Internal Service Funds
$ 202,406	$ 447,922	$ 2,493,849	$ 449,106
1,022	44,167	53,144	-
-	7,011	19,717	-
-	-	33,988	-
33,714	36,451	164,941	45,652
203,952	36,362	565,185	73,091
14,257	32,687	47,023	3,885
19,793	-	19,793	-
-	-	10,124	-
8,366	30,904	40,768	1,548
24,557	237	25,400	1,291
-	1,087	4,896	-
508,067	636,828	3,478,828	574,573
-	-	48,899	-
340,421	139,331	535,241	4,886
-	-	114,603	-
364,717	-	690,337	84,444
-	4,314	13,333	607
-	108,420	108,420	616
39,799	-	39,799	-
52,572	1,662	126,316	11
-	777,018	1,856,756	22
133,827	8,392	142,219	9,343
3,997,575	480,474	4,662,133	587,817
143,886	4,638	148,524	15,570
121,599	2,048	123,647	637
73,943	687	74,630	167
(1,729,298)	(82,558)	(1,959,882)	(339,951)
3,539,041	1,444,426	6,724,975	364,169
4,047,108	2,081,254	10,203,803	938,742
27	2,251	29,828	-
27	2,251	29,828	-

(continued on next page)

Statement of Net Position
Proprietary Funds
June 30, 2013
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	24,711	14,512	22,025
Obligations Under Securities Lending	3,849	89,839	1,088
Due to Other Funds	-	144,883	840
Due to Component Units	-	-	-
Due to Other Governments	-	-	5,928
Unearned Revenue	1,667	420	-
Matured Bonds/COPs and Coupons Payable	-	-	-
Compensated Absences Payable	172	1,942	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	32,498	-
Arbitrage Rebate Payable	330	-	-
Custodial Liabilities	-	94	38
Contracts, Mortgages, and Notes Payable	1,514	430	-
Bonds/COPs Payable	18,185	-	-
Obligations Under Capital Lease	-	-	-
Pollution Remediation Obligation	-	-	-
Total Current Liabilities	50,428	284,618	29,919
Noncurrent Liabilities:			
Compensated Absences Payable	92	1,046	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	127,560	-
Arbitrage Rebate Payable	37	-	-
Custodial Liabilities	-	-	1,827
Contracts, Mortgages, and Notes Payable	603	5,971	-
Bonds/COPs Payable	1,263,062	-	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	-
Net OPEB Obligation	85	689	-
Derivative Instrument Liabilities	27,550	-	-
Total Noncurrent Liabilities	1,291,429	135,266	1,827
Total Liabilities	1,341,857	419,884	31,746
NET POSITION			
Net Investment in Capital Assets	10	36,048	-
Restricted-Nonexpendable	-	-	-
Natural Resource Programs	-	-	-
Education	-	-	-
Residential Assistance	2,273	-	-
Debt Service	208,168	-	-
Capital Projects	-	-	-
Unrestricted	4,485	119,850	1,938,670
Total Net Position	$ 214,936	$ 155,898	$ 1,938,670

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds University System	Other	Total	Governmental Activities Internal Service Funds
127,887	33,953	223,088	44,147
33,714	36,451	164,941	45,652
-	51,160	196,883	476
6,302	-	6,302	-
-	-	5,928	-
128,078	3,228	133,393	988
1,022	268	1,290	-
40,215	8,020	50,349	7,373
4,000	14,090	18,090	29,632
-	-	32,498	-
-	-	330	-
52,628	6,168	58,928	1,768
12,674	975	15,593	656
58,734	25,626	102,545	12,887
79	-	79	1,827
21	-	21	-
465,354	179,939	1,010,258	145,406
13,200	4,196	18,534	3,970
10,677	-	10,677	177,051
-	-	127,560	-
3	18,357	18,397	-
10,081	-	11,908	3,271
99,472	32,496	138,542	20,007
1,842,759	612,518	3,718,339	91,742
481	-	481	962
108,201	-	108,201	152
19,645	4,307	24,726	2,166
-	2,251	29,801	-
2,104,519	674,125	4,207,166	299,321
2,569,873	854,064	5,217,424	444,727
937,984	409,520	1,383,562	166,163
16,785	-	16,785	-
-	114	114	-
148,249	-	148,249	-
-	-	2,273	-
62,131	3,450	273,749	-
103,295	5,021	108,316	-
208,818	811,336	3,083,159	327,852
$ 1,477,262	$ 1,229,441	$ 5,016,207	$ 494,015

Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are included within the business-type activities.	$ 1,405
Net assets of business-type activities	$ 5,017,612

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
OPERATING REVENUES:			
Assessments	$ -	$ -	$ 1,073,665
Licenses and Fees	3,042	-	-
Federal	-	-	515,017
Charges for Services	774	-	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	-	-
Sales	-	1,067,786	-
Loan Interest Income	59,217	-	-
Gifts, Grants, and Contracts	-	-	-
Other	2,473	1,410	23,924
Gain (Loss) on Foreclosed Property	408	-	-
Total Operating Revenues	65,914	1,069,196	1,612,606
OPERATING EXPENSES:			
Salaries and Wages	3,982	36,504	-
Services and Supplies	10,012	238,615	-
Cost of Goods Sold	-	-	-
Distributions to Other Governments	299	-	-
Special Payments	1,219	204,408	1,235,618
Loan Interest Expense	49	-	-
Bond and COP Interest	52,057	-	-
Other Debt Service	101	-	-
Depreciation and Amortization	1	12,982	-
Bad Debt Expense	-	-	-
Total Operating Expenses	67,720	492,509	1,235,618
Operating Income (Loss)	(1,806)	576,687	376,988
NONOPERATING REVENUES (EXPENSES):			
Bond and COP Interest	-	-	-
Investment Income (Loss)	(2,508)	(2,982)	36,379
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	(970)	-
Insurance Recovery	-	11	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(41)	(330)	-
Other Nonoperating Items	(43)	(143)	(2)
Total Nonoperating Revenues (Expenses)	(2,592)	(4,414)	36,377
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	(4,398)	572,273	413,365
Capital Contributions	-	-	-
Additions to Permanent Endowments	-	-	-
Transfers from Other Funds	-	-	4
Transfers to Other Funds	(164)	(550,859)	(10,329)
Change in Net Position	(4,562)	21,414	403,040
Net Position - Beginning	220,128	139,594	1,554,252
Prior Period Adjustments	(630)	(5,110)	(18,622)
Net Position - Beginning - As Restated	219,498	134,484	1,535,630
Net Position - Ending	$ 214,936	$ 155,898	$ 1,938,670

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 1,073,665	$ -
-	7,925	10,967	-
324,492	6,039	845,548	-
835,127	320,807	1,156,708	971,630
-	1,628	1,628	5
-	755	755	44,740
461,353	518,850	2,047,989	2,459
-	36,387	95,604	-
223,599	-	223,599	-
26,302	3,340	57,449	7,529
-	452	860	-
1,870,873	896,183	5,514,772	1,026,363
1,493,531	242,235	1,776,252	138,582
534,779	150,834	934,240	735,903
-	257,599	257,599	8,482
-	56,587	56,886	-
150,399	197,663	1,789,307	1,782
-	-	49	-
-	20,986	73,043	4,789
-	378	479	72
136,785	11,536	161,304	26,956
-	5,409	5,409	-
2,315,494	943,227	5,054,568	916,566
(444,621)	(47,044)	460,204	109,797
(85,441)	-	(85,441)	-
35,990	3,864	70,743	2,802
-	16,388	16,388	-
-	(134)	(1,104)	(109)
317	6	334	329
-	-	-	40
-	(23)	(23)	(1,017)
(6,555)	(2,131)	(9,057)	(1,352)
115,849	(90)	115,571	(93)
60,160	17,880	107,411	600
(384,461)	(29,164)	567,615	110,397
54,787	128	54,915	19
241	-	241	-
379,067	286,918	665,989	201,065
(35,627)	(176,681)	(773,660)	(223,570)
14,007	81,201	515,100	87,911
1,564,634	1,181,489	4,660,097	443,556
(101,379)	(33,249)	(158,990)	(37,452)
1,463,255	1,148,240	4,501,107	406,104
$ 1,477,262	$ 1,229,441	$ 5,016,207	$ 494,015

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with the business-type activities.	$ (6,364)
Change in net position of business-type activities	$ 508,736

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Cash Flows from Operating Activities:			
Receipts from Customers	$ 4,231	$ 1,066,745	$ -
Receipts from Other Funds for Services	-	-	-
Loan Principal Repayments	195,141	-	-
Loan Interest Received	61,596	-	-
Taxes and Assessments Received	-	-	1,050,424
Payments to Employees for Services	(3,901)	(37,739)	-
Payments to Suppliers	(5,279)	(230,787)	-
Payments to Other Funds for Services	-	-	-
Payments to Prize Winners	-	(198,643)	-
Claims Paid	-	-	(1,249,300)
Loans Made	(50,658)	-	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	1,741	238	537,914
Net Cash Provided (Used) in Operating Activities	202,871	599,814	339,038
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	156,930	-	-
Principal Payments on Bonds/COPS	(222,950)	-	-
Principal Payments on Loans	(14)	(111)	-
Interest Payments on Bonds/COPS	(56,419)	-	-
Interest Payments on Loans	(89)	(330)	-
Bond/COP Issuance Costs	(1,564)	-	-
Taxes and Assessments Received	-	-	-
Other Gifts and Private Contracts	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	4
Transfers to Other Funds	(163)	(532,087)	(10,329)
Net Cash Provided (Used) in Noncapital Financing Activities	(124,269)	(532,528)	(10,325)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Bond/COP Issuance Costs	-	-	-
Repayments on Advances Received	-	-	-
Interest on Advances	-	-	-
Loan Proceeds	-	-	-
Principal Payments on Loans	-	(126)	-
Interest Payments on Loans	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	-	(5,498)	-
Proceeds from Disposition of Capital Assets	-	176	-
Insurance Recoveries for Capital Assets	-	11	-
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Net Cash Provided (Used) in Capital and Related Financing	-	(5,437)	-
Cash Flows from Investing Activities:			
Purchases of Investments	(574,207)	(15,495)	-
Proceeds from Sales and Maturities of Investments	473,758	13,061	-
Interest on Investments and Cash Balances	4,523	1,307	36,376
Interest Income from Securities Lending	68	301	3
Interest Expense from Securities Lending	(42)	(143)	(2)
Net Cash Provided (Used) in Investing Activities	(95,900)	(969)	36,377
Net Increase (Decrease) in Cash and Cash Equivalents	(17,298)	60,880	365,090
Cash and Cash Equivalents - Beginning	84,347	233,605	1,229,240
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 67,049	$ 294,485	$ 1,594,330

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ 1,863,980	$ 756,071	$ 3,691,027	$ 726,693
-	92,805	92,805	293,771
-	127,646	322,787	-
-	41,361	102,957	-
-	-	1,050,424	-
(1,488,182)	(253,954)	(1,783,776)	(147,043)
(535,024)	(393,431)	(1,164,521)	(671,694)
-	(23,623)	(23,623)	(39,429)
-	-	(198,643)	-
-	(172,758)	(1,422,058)	(2,639)
(139,158)	(86,452)	(276,268)	-
-	(56,908)	(56,908)	-
11,675	(49,591)	501,977	(24,543)
(286,709)	(18,834)	836,180	135,116
-	12,865	169,795	-
-	(55,528)	(278,478)	-
-	(817)	(942)	(457)
-	(21,851)	(78,270)	-
-	(2,131)	(2,550)	(1,351)
-	(999)	(2,563)	-
-	16,391	16,391	-
118,314	-	118,314	-
11	6	17	-
320,006	259,656	579,666	265,855
(42,799)	(169,216)	(754,594)	(299,091)
395,532	38,376	(233,214)	(35,044)
450,584	-	450,584	38,251
(345,795)	(1,829)	(347,624)	(51,999)
(95,192)	(97)	(95,289)	(4,349)
-	-	-	(252)
-	-	-	37
-	-	-	40
-	1,083	1,083	-
-	-	(126)	(26)
-	-	-	(1,024)
-	(23)	(23)	-
(228,642)	(7,778)	(241,918)	(24,096)
3,156	1	3,333	835
306	-	317	313
32,495	108	32,603	-
55,016	-	55,016	-
(128,072)	(8,535)	(142,044)	(42,270)
(49,986)	-	(639,688)	(44,697)
47,018	14,500	548,337	33,481
32,181	3,995	78,382	5,676
178	147	697	40
(102)	(90)	(379)	(25)
29,289	18,552	(12,651)	(5,525)
10,040	29,559	448,271	52,277
533,809	602,185	2,683,186	401,818
-	(324)	(324)	(103)
$ 543,849	$ 631,420	$ 3,131,133	$ 453,992

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,806)	$ 576,687	$ 376,988
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	1	12,982	-
Amortization of Bond/COP Issuance Costs	621	-	-
Amortization of Bond/COP Premium and Discount	(452)	-	-
Amortization of Deferred Charges	(317)	-	-
Bad Debt Expense	-	-	-
Interest Payments Reported as Operating Expense	52,356	-	-
Bond/COP Issuance Costs Reported as Operating Expense	-	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	1,229	(2,314)	(17,764)
Due from Other Funds	-	-	-
Due from Other Governments	-	-	443
Inventories	-	768	-
Prepaid Items	29	(114)	-
Foreclosed and Deeded Property	6,831	-	-
Deferred Charges	-	-	-
Advances to Other Funds	-	-	-
Net Contracts, Notes, and Other Receivables	-	68	(16,869)
Loans Receivable	143,855	-	-
Accounts and Interest Payable	43	5,653	(4,338)
Due to Other Funds	-	-	840
Due to Other Governments	-	-	(325)
Unearned Revenue	416	102	-
Matured Bonds and COPS	-	-	-
Compensated Absences Payable	56	194	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	5,696	-
Custodial Liabilities	-	7	63
Contracts, Mortgages, and Notes Payable	-	-	-
Net OPEB Obligation	9	85	-
Total Adjustments	204,677	23,127	(37,950)
Net Cash Provided (Used) by Operating Activities	$ 202,871	$ 599,814	$ 339,038
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ (6,996)	$ (4,591)	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Capital Assets Acquired Through Long-Term Contracts	-	1,517	-
Capital Assets Contributed	-	-	-
Foreclosed Property	176	-	-
Loan Modifications	13,329	-	-
Sale of Capital Assets on Contract	-	-	-
Advanced Debt Refunding Deposited with Escrow Agent	-	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds: University System	Other	Total	Governmental Activities Internal Service Funds
$ (444,621)	$ (47,044)	$ 460,204	$ 109,797
136,785	11,536	161,304	26,956
-	359	980	-
-	(664)	(1,116)	(871)
-	363	46	1,445
-	5,409	5,409	-
-	21,948	74,304	4,349
-	998	998	252
4,878	(7,676)	(21,647)	15,452
-	(5,124)	(5,124)	(108)
-	-	443	-
(758)	(3,478)	(3,468)	100
1,118	731	1,764	(282)
-	1,623	8,454	-
-	(119)	(119)	(116)
-	(11,444)	(11,444)	-
(197)	-	(16,998)	80
-	54,776	198,631	(5)
14,507	(7,949)	7,916	7,654
-	(28,120)	(27,280)	302
-	10	(315)	-
201	3,491	4,210	(18,667)
-	2	2	-
-	(493)	(243)	402
-	131	131	17,129
-	-	5,696	-
-	(8,712)	(8,642)	(29,083)
1,378	-	1,378	42
-	612	706	288
157,912	28,210	375,976	25,319
$ (286,709)	$ (18,834)	$ 836,180	$ 135,116
$ 3,560	$ (21)	$ (8,048)	$ (2,685)
-	20	20	20
76	-	76	-
-	-	1,517	-
22,079	-	22,079	-
-	1,807	1,983	-
-	-	13,329	-
-	1,200	1,200	-
595,180	-	595,180	38,030

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	$ 3,820,560	$ 47,267	$ 4,754,620	$ -
Investments				
Fixed Income	14,454,283	28,316	-	-
Public Equity	24,355,200	603	-	-
Real Estate	7,488,442	-	-	-
Annuity Contracts	-	530	-	-
Private Equity	14,390,762	-	-	-
Alternative Equity	627,700	-	-	-
Opportunity Portfolio	812,620	-	-	-
Total Investments	62,129,007	29,449	-	-
Custodial Assets	-	4,958	-	1,642,016
Securities Lending Collateral	2,358,591	1,543	244,260	-
Receivables:				
Employer Contributions	24,841	-	-	-
Plan Member Contributions	7,648	-	-	-
Interest and Dividends	332,950	-	8,389	-
Member Loans	8,311	-	-	-
Investment Sales	2,786,283	-	-	-
Transitional Liability	613,561	-	-	-
Accounts	-	286	-	5,840
From Other Funds	6,347	-	-	-
Loans	-	-	46,525	-
Net Contracts, Notes, and Other Receivables	-	-	-	122,132
Total Receivables	3,779,941	286	54,914	127,972
Prepaid Items	5,449	-	-	-
Receivership Assets	-	-	-	60,849
Capital Assets (net of $15,091 accumulated depreciation):				
Land	944	14	-	-
Buildings, Property, and Equipment	37,099	-	-	-
Total Assets	72,131,591	83,517	5,053,794	1,830,837
LIABILITIES				
Accounts and Interest Payable	4,263,962	230	40,936	-
Obligations Under Securities Lending	2,364,354	1,543	244,260	-
Due to Other Funds	6,084	-	-	-
Due to Other Governments	-	-	-	7,056
Unearned Revenue	936	-	-	-
Custodial Liabilities	127,031	52,321	-	1,823,781
Contracts, Mortgages, and Notes Payable	3,672	1,874	-	-
Bonds/COPs Payable	2,490	-	-	-
Net OPEB Obligation	517	-	-	-
Total Liabilities	6,769,046	55,968	285,196	1,830,837
NET POSITION				
Restricted - Held in Trust for:				
Pension Benefits	63,768,758	-	-	-
Other Postemployment Benefits	321,824	-	-	-
Other Employee Benefits	1,271,963	-	-	-
External Investment Pool Participants	-	-	4,768,598	-
Individuals, Organizations and Other Governments	-	27,549	-	-
Total Net Position	$ 65,362,545	$ 27,549	$ 4,768,598	$ -

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Pupose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	$ 884,900	$ -	$ -
Plan Members	602,030	-	-
Total Contributions	1,486,930	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	6,467,349	1,043	46,604
Interest, Dividends and Other Investment Income	1,704,370	-	-
Total Investment Income	8,171,719	1,043	46,604
Less Investment Expense	417,457	125	2,673
Net Investment Income	7,754,262	918	43,931
Gifts, Grants, and Contracts	-	5	-
Veterans' Income	-	7,200	-
Escheat Property Revenue	-	2,200	-
Other Income	2,540	94	-
Share Transactions:			
Participant Contributions	-	-	15,122,534
Participant Withdrawals	-	-	14,689,921
Net Share Transactions	-	-	432,613
Total Additions	9,243,732	10,417	476,544
DEDUCTIONS			
Pension Benefits	3,863,355	-	-
Death Benefits	4,583	-	-
Contributions Refunded	17,441	-	-
Healthcare Premium Subsidies	34,871	-	-
Distributions to Participants	-	-	31,790
Deferred Compensation Benefits	-	-	-
Administrative Expenses	42,793	7,795	-
Payments in Accordance with Trust Agreements	-	264	-
Total Deductions	3,963,043	8,059	31,790
Change in Net Position Held in Trust For:			
Pension Benefits	5,091,609	-	-
Other Postemployment Benefits	50,685	-	-
Other Employee Benefits	138,395	-	-
External Investment Pool Participants	-	-	444,754
Individuals, Organizations, and Other Governments	-	2,358	-
Net Position - Beginning	59,456,250	25,919	4,323,844
Prior Period Adjustments	625,606	(728)	-
Net Position - Beginning - As Restated	60,081,856	25,191	4,323,844
Net Position - Ending	$ 65,362,545	$ 27,549	$ 4,768,598

The notes to the financial statements are an integral part of this statement.

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Statement of Net Position
Discretely Presented Component Units
June 30, 2013
(In Thousands)

	SAIF Corporation	Other	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 88,907	$ 168,226	$ 257,133
Investments	4,313,235	299,636	4,612,871
Securities Lending Collateral	315,896	-	315,896
Accounts and Interest Receivable (net)	361,413	278,642	640,055
Pledges, Contributions, and Grants Receivable (net)	-	184,693	184,693
Due from Other Governments	-	1,946	1,946
Due from Primary Government	148	13,635	13,783
Inventories	85	19,829	19,914
Prepaid Items	9,069	53,639	62,708
Total Current Assets	5,088,753	1,020,246	6,108,999
Noncurrent Assets:			
Investments	-	571,749	571,749
Investments - Restricted	-	1,845,986	1,845,986
Deferred Charges	-	9,647	9,647
Net Contracts, Notes and Other Receivables	-	4,690	4,690
Pledges, Contributions, and Grants Receivable (net)	-	102,618	102,618
Capital Assets:			
Land	3,029	79,672	82,701
Buildings, Property, and Equipment	41,138	2,342,885	2,384,023
Construction in Progress	-	234,906	234,906
Less Accumulated Depreciation and Amortization	(28,396)	(1,183,743)	(1,212,139)
Total Noncurrent Assets	15,771	4,008,410	4,024,181
Total Assets	5,104,524	5,028,656	10,133,180
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decrease in Fair Value of Hedging Derivatives	-	17,060	17,060
Total Deferred Outflows of Resources	-	17,060	17,060
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	84,512	218,688	303,200
Obligations Under Securities Lending	315,817	-	315,817
Due to Other Governments	1,781	23,038	24,819
Due to Primary Government	22,368	5,848	28,216
Unearned Revenue	198,567	55,867	254,434
Compensated Absences Payable	4,016	55,411	59,427
Reserve for Loss and Loss Adjustment Expense	243,397	-	243,397
Claims and Judgments Payable	-	18,303	18,303
Custodial Liabilities	10,174	-	10,174
Contracts, Mortgages, and Notes Payable	-	1,954	1,954
Bonds/COPS Payable	-	12,151	12,151
Obligations Under Capital Lease	-	613	613
Total Current Liabilities	880,632	391,873	1,272,505
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	-	89,237	89,237
Reserve for Loss and Loss Adjustment Expense	2,809,214	-	2,809,214
Claims and Judgments Payable	-	43,521	43,521
Contracts, Mortgages, and Notes Payable	-	59,340	59,340
Bonds/COPS Payable	-	730,001	730,001
Obligations Under Capital Lease	-	690	690
Advances from Primary Government	-	39,799	39,799
Net OPEB Obligation	2,024	7,328	9,352
Derivative Instrument Liabilities	-	17,060	17,060
Total Noncurrent Liabilities	2,811,238	986,976	3,798,214
Total Liabilities	3,691,870	1,378,849	5,070,719
Net Position			
Net Investment in Capital Assets	15,771	721,618	737,389
Restricted-Nonexpendable	-	1,176,142	1,176,142
Restricted for:			
Education	-	884,803	884,803
Workers' Compensation	1,396,883	-	1,396,883
Unrestricted	-	884,304	884,304
Total Net Position	$ 1,412,654	$ 3,666,867	$ 5,079,521

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2013
(In Thousands)

	SAIF Corporation	Other	Total
Operating Revenues:			
Federal Revenue	$ -	$ 45,186	$ 45,186
Charges for Services	-	1,578,754	1,578,754
Premiums Earned (net)	401,350	-	401,350
Investment Income (net)	-	125,449	125,449
Gifts, Grants, and Contracts	-	722,634	722,634
Other Revenues	25,242	120,094	145,336
Total Operating Revenues	426,592	2,592,117	3,018,709
Operating Expenses:			
Salaries and Wages	-	1,258,102	1,258,102
Services and Supplies	-	895,131	895,131
Loss and Loss Adjustment Expense	353,123	-	353,123
Policyholders' Dividends	149,970	-	149,970
Underwriting Expenses	99,130	-	99,130
Mortgage Assistance Payments	-	35,667	35,667
Bond and COP Interest	-	28,601	28,601
Depreciation and Amortization	-	112,453	112,453
Other Expenses	533	8,022	8,555
Total Operating Expenses	602,756	2,337,976	2,940,732
Operating Income (Loss)	(176,164)	254,141	77,977
Nonoperating Revenues (Expenses):			
Investment Income	398,179	50,411	448,590
Other	-	2,627	2,627
State Appropriations	-	30,146	30,146
Total Nonoperating Revenues (Expenses)	398,179	83,184	481,363
Income (Loss) Before Capital Contributions	222,015	337,325	559,340
Capital Contributions	-	9,013	9,013
Change in Net Position	222,015	346,338	568,353
Net Position - Beginning	1,190,639	3,344,786	4,535,425
Prior Period Adjustments	-	(24,257)	(24,257)
Net Position - Beginning - As Restated	1,190,639	3,320,529	4,511,168
Net Position - Ending	$ 1,412,654	$ 3,666,867	$ 5,079,521

The notes to the financial statements are an integral part of this statement.

Adjustments to Recast	Statement of Activities
$ (45,186)	$ -
549,313	2,128,067
(401,350)	-
(125,449)	-
649,371	1,372,005
(145,336)	-
481,363	3,500,072
-	1,258,102
-	895,131
-	353,123
-	149,970
-	99,130
-	35,667
-	28,601
-	112,453
-	8,555
-	2,940,732
481,363	559,340
(448,590)	-
(2,627)	-
(30,146)	-
(481,363)	-
-	559,340
-	9,013
-	568,353
-	4,535,425
-	(24,257)
-	4,511,168
$ -	$ 5,079,521

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Oregon (State) was admitted to the Union in 1859 and is governed by an elected governor and a ninety-member elected legislative body. The accompanying financial statements present the State, including all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government), and the State's component units. Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. The component unit column in the government-wide financial statements includes the data of the State's four discretely presented component units.

SAIF Corporation (SAIF) is a public corporation created by an act of the Legislature. SAIF is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Oregon Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor and is financed solely through policyholder premiums and investment income. The term of office for a board member is four years, but a member serves at the pleasure of the Governor. SAIF reports on a fiscal year ended December 31 and uses proprietary fund accounting principles. The December 31, 2012, financial information of SAIF is included in this report.

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2012, financial information of OAHAC is included in this report.

SAIF is reported as a major component unit due to the significant transactions between SAIF and the primary government. The remaining component units are reported as nonmajor. Readers may obtain complete financial statements for SAIF, OHSU, the OUS Foundations, and OAHAC from their respective administrative offices or from the Oregon Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Related Organizations

The following professional and occupational licensing boards are semi-independent: the Board of Architect Examiners, the Board of Examiners for Engineering and Land Surveying, the Landscape Architect Board, the Board of Geologist Examiners, the Board of Optometry, the Board of Massage Therapists, the Physical Therapists Licensing Board, the Appraiser Certification and Licensure Board, the Landscape Contractors Board, the Wine Board, and the Patient Safety Commission. Although the Governor appoints the administrators of these boards, the boards are all self-supporting and the State's accountability for these organizations does not extend beyond making the appointments. The State has no financial accountability for these related organizations.

The Oregon Utility Notification Center (OUNC) is an independent not-for-profit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground utilities who subscribe to OUNC. The OUNC receives no General Fund moneys, and the State has no financial accountability for OUNC.

The Oregon Health Insurance Exchange Corporation is an independent public corporation established under the federal Affordable Care Act of 2010 that offers health insurance and coverage options to individuals, families, and small employers. It is governed by a nine-member board of directors, appointed by the Governor. The Exchange operates at no cost to the state. It is funded by federal grant dollars through 2014 and after that, it will be self-sustaining through an administrative fee charged to insurance carriers.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been eliminated from these statements through consolidation, except for interfund activity that represents a true exchange of goods and services between funds. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund activity within governmental and within business-type activities has been eliminated through consolidation; however, balances due and resource flows between governmental and business-type activities have not been eliminated. The *primary government* is reported separately from its *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Direct expenses include administrative overhead charges for centralized services charged to functions through internal service funds. *Program revenues* include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and (3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The State uses the economic resources measurement focus and the accrual basis of accounting in preparing the government-wide financial statements, as well the financial statements of the proprietary funds, internal service funds, and fiduciary funds (except for agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

related cash flows. Income taxes are recognized as revenue, net of estimated refunds, in the year when the underlying exchange (earning of income) has occurred, to the extent such amounts are measurable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The State uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the governmental fund financial statements. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, the State considers revenues as available, if they are collected within 90 days of the end of the current fiscal year. Primary revenue sources susceptible to accrual are income taxes, excise taxes, fines, forfeitures, and federal revenues. Income tax revenue, net of estimated refunds, is recognized in the fiscal year in which the underlying exchange has occurred and it becomes measurable and available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant eligibility requirements have been met. Revenue items not susceptible to accrual, such as licenses, fees, and the cash sales of goods and services, are considered measurable and available only when cash is received.

For governmental funds, expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Beginning in fiscal year 2011, the General Fund includes some activity previously accounted for in special revenue funds. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 necessitated this change. Statement No. 54 clarifies that one or more specific restricted or committed revenues must comprise a substantial portion of the "inflows" reported in a special revenue fund. The state considers 30 percent as "substantial" for financial reporting purposes. In special revenue funds where a substantial portion of the inflows will not derive from specific restricted or committed revenue sources, the funds' activities are accounted for in the General Fund. The *Oregon Rainy Day Fund*, for example, was previously reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day Fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *Health and Social Services Fund* accounts for programs that provide assistance, services, training, and healthcare to individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of funding for these programs come from federal grants, tobacco taxes, healthcare provider taxes, and charges for services.

The *Public Transportation Fund* accounts for the planning, design, construction, and maintenance of highways, roads, bridges, and public systems relating to air, water, rail, and highway transportation. Funding is provided from dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway administration funds.

The *Environmental Management Fund* accounts for programs that promote, protect, and preserve the State's forests, parks, wildlife, fish, and waterways. The main funding sources for these programs are user fees, federal grants, and sales revenue.

The *Common School Fund* accounts for programs to manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Estate funds that become the property of the State, unclaimed property, and income derived from unclaimed property are

also accounted for in this fund. Statutory and constitutional provisions stipulate that the assets of the fund, including investment income, must be used for common school purposes. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

The State reports the following major proprietary (enterprise) funds:

The *Housing and Community Services Fund* accounts for activities that finance multi-family rental housing and single-family mortgages for low to moderate-income families. Mortgage loans related to these activities are financed with the proceeds of bonds issued under various bond indentures of trust. Mortgage loan payments and interest earnings on invested bond proceeds are used to pay debt service on the bonds.

The *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery which markets and sells Lottery products to the public. The primary objective of the Oregon State Lottery is to produce the maximum amount of net revenues to be used for creating jobs, furthering economic development, financing public education, and restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats.

The *Unemployment Compensation Fund* accounts for federal moneys and unemployment taxes collected from employers to provide payment of benefits to the unemployed.

The *University System Fund* accounts for the operations of Oregon's seven public universities, including the Chancellor's Office. Funding is from General Fund appropriations, tuition and fees, and auxiliary enterprise revenues, in addition to funds from external donors and federal agencies.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Additionally, the State reports the following fund types:

Governmental Fund Types (reported as nonmajor funds)

Like major special revenue funds, nonmajor *special revenue funds* also account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities.

The *Permanent Fund* accounts for and reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State and its citizenry.

Proprietary Fund Types (reported as nonmajor funds)

Nonmajor *enterprise funds* account for and report business-type activities for which fees are charged to external users for goods and services.

Internal service funds account for goods and services provided by state agencies to other state agencies and to other governmental units on a cost-reimbursement basis. These goods and services include central services such as accounting, budgeting, personnel, mail, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund. Legal, banking, and audit services, as well as state employee health benefits programs, are also accounted for and reported in the internal service funds.

Fiduciary Fund Types

The *Pension and Other Employee Benefit Trust Fund* accounts for activities of the Public Employees Retirement System (PERS), which administers resources for the payment of retirement, disability, postemployment healthcare, and death benefits to members and beneficiaries of the retirement system.

The *Private Purpose Trust Fund* accounts for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

The *Investment Trust Fund* accounts for the portion of the Oregon Short-Term Fund (OSTF) belonging to local governments. The OSTF is a cash and investment pool, managed by the Office of the State Treasurer, which is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State.

The *Agency Fund* accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

D. Deposits and Investments

Deposits

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: cash on hand, cash and investments held by the Office of the State Treasurer in the OSTF, cash deposits held in demand deposit accounts with custodial banks, and cash deposits of debt proceeds in investment funds held by a trustee.

Investments – Excluding Oregon Public Employees Retirement Fund

Investments are reported at fair value with the following exceptions, which are reported using cost-based measures:

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the OSTF with remaining maturities of up to 90 days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net position, but as investments in Note 2.

Changes in the fair value of investments are recognized as investment income (loss) in the current year.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price and generally values debt securities by using evaluated bid prices. The fair value of publicly traded real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services. For securities that do not have an active market, such as private placements or commingled investment vehicles, the custodian's pricing agent or investment manager uses a similar benchmark security to estimate fair value. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk. Real estate and restricted stock investments outside of external investment pools are stated at amortized cost.

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2013, as determined by PERS management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to

observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITs, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2013, as determined by PERS management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years and, between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Valuation of investments in real estate partnerships, in the absence of observable market prices, rely on the general partners to determine fair value by using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the PERS Opportunity and Alternative Equity portfolios are recorded at fair value as of June 30, 2013, as determined by the respective general partner or account manager. (The Opportunity Portfolio is an investment portfolio within the PERS Fund that utilizes innovative investment approaches across a wide range of investment opportunities, while investments in the Alternative Equity portfolio represent alternative investment strategies, including infrastructure, natural resources, natural resource commodities, and absolute return or hedge fund strategies.) Investments in these portfolios representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Due to the inherent uncertainty and the degree of judgment involved in determining certain private equity, Opportunity, Alternative Equity, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material. In addition, these investments are generally considered illiquid long-term investments; the recorded fair values may materially differ from the amounts eventually realized from the sale or other disposition of these investments.

Derivatives

In accordance with State investment policies, the Office of the State Treasurer participates in contracts that have derivative characteristics. Derivative instruments are used to lower the cost of borrowing, to hedge against fluctuations in foreign currency rates, and to manage the overall risk of investment portfolios.

The fair value of *effective* hedging derivative instruments are reported on the proprietary funds statement of net position and the statement of fiduciary net position as assets and liabilities as applicable, with offsetting balances reported as deferred inflows or deferred outflows. The changes in fair value of effective hedging derivative instruments are also reflected on the proprietary funds statement of net position and the statement of fiduciary net position; such changes are not reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

Ineffective hedging derivative instruments and derivatives purchased as investments are reported at fair value on the proprietary funds statement of net position and the statement of fiduciary net position. The related changes in fair value are reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other

outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Trade receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectible amounts. Income tax receivables deemed reasonably estimable are reported, net of estimated uncollectible amounts, in the fiscal year when the underlying exchange has occurred. Income tax receivables that may arise in the future from audits of prior years and discovery of non-filers are not included in receivables or revenues in the financial statements because these transactions are not measurable.

F. Intrafund Transactions

Intrafund balances (due to/from other funds and advances to/from other funds) and intrafund activity (transfers to/from other funds) within each fund in the financial statements have been eliminated.

G. Inventories

Inventories, which consist primarily of operating supplies, are stated at cost utilizing the first-in, first-out cost valuation method. In governmental funds, inventories are recorded as expenditures when purchased. Reported inventories in governmental funds are offset by nonspendable fund balance since the fund balance associated with inventory is not in spendable form. However, in the case of inventory held for resale, if the proceeds from the sale of the inventory are restricted, committed, or assigned to a specific purpose, the related fund balance is classified as restricted, committed, or assigned, as appropriate, rather than as nonspendable. In proprietary funds, inventories are expended when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items. In governmental funds and proprietary funds, prepaid items are accounted for using the consumption method. In governmental funds, a portion of fund balance equal to the prepaid items is classified as nonspendable to indicate that it is not in spendable form.

I. Restricted Assets

Certain proceeds of the State's bond and certificate of participation (COP) issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or COP financing agreements. Other restrictions on asset use may change the nature and availability of an asset. Various grant moneys, loan acquisition funds, customer deposits, and insurance funds, are also classified as restricted assets.

J. Foreclosed and Deeded Properties

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or market.

K. Receivership Assets

Net position of insurance companies that have been placed into receivership under the control of the Department of Consumer and Business Services in accordance with Oregon Revised Statutes are recorded as receivership assets in the agency fund.

L. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., highways, tunnels, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of $5,000 or more and an estimated useful life of more than one year. Such assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to fiscal years ended after June 30, 1980, is reported. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend asset lives are expensed rather than capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as its component units, are depreciated over their estimated useful lives using the straight-line method, unless they are considered inexhaustible. Useful lives for buildings and related assets range from 10 to 75 years, while useful lives of equipment and machinery range from 3 to 50 years. For infrastructure assets, useful lives range from 5 to 75 years, with docks, dikes and dams having useful lives between 30 to 50 years. Useful lives for works of art and historical treasures range from 10 to 30 years, and useful lives for motor vehicles range from 3 to 30 years. Data processing software and hardware have useful lives ranging from 3 to 10 years.

M. Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from state service. A liability for vacation leave (compensated absences) is accrued when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for compensated absences is reported in governmental funds only if the liabilities have matured, for example, as the result of employee resignations and retirements.

N. Long-term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities for governmental activities or business-type activities, as applicable. In proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond or certificate of participation (COP) premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the debt. Bonds/COP payable is reported net of the applicable bond/COP premium or discount. Bond/COP issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond/COP premiums and discounts, as well as bond/COP issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issues are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other debt service expenditures.

O. Fund Equity

The difference between assets and liabilities is labeled “Net position” on the government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on the governmental fund financial statements.

In governmental funds, fund balance is reported in five components: (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are either not in *spendable* form or they are legally or contractually required to be maintained intact.

*Restricted fund balance*s are the result of constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. The restricted fund balance category has been further broken down on the face of the governmental fund financial statements to indicate the various sources of those constraints.

Committed fund balance results from constraints imposed by bills (passed by the Legislature and signed into law by the Governor) that are separate from the authorization to raise the underlying revenue.

Assigned fund balance is the residual amount in governmental funds other than the General Fund. It represents amounts that are constrained by the State's intent to be used for a specific purpose, but which are neither restricted nor committed.

Unassigned fund balance is the residual amount in the General Fund not included in the previous four categories. Deficit fund balances in other governmental funds are reported as unassigned. See Note 21 for additional information on fund equity.

In the government-wide statement of net position and the proprietary fund statement of net position, net position is reported in three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Restricted net position results from restrictions imposed on a portion of net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments.

For fund balance classification purposes, state agencies determine the appropriate classification of each of their detail-level funds based on the resources accounted for in those funds and the constraints on spending those resources. Agencies expend resources from the appropriate funds based on each fund's specific spending constraints. Ending fund balances, therefore, are the result of that spending. In the event that an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available for use, the individual state agencies determine the order in which those resources are spent. The same is true of an expenditure incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available.

The state maintains two stabilization funds: the Oregon Rainy Day Fund within the General Fund and the Education Stability Fund within the Educational Support Fund, a nonmajor special revenue fund. The resources in both funds may be expended only when specific non-routine budget shortfalls occur. See Note 21 for additional information about the stabilization funds.

P. Changes in Accounting Principle

For the fiscal year ended June 30, 2013, the State implemented three new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 60, *Accounting and Reporting for Service Concession Arrangements*, establishes recognition, measurement, and disclosure requirements for certain public-private or public-public partnerships. Currently, the State has not identified any arrangements that meet the GASB Statement No. 60 definition of service concession arrangements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statements No. 14 and No. 34), modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, as well as financial reporting display and disclosure requirements. Implementation of this standard is reflected in the financial statement presentation of the State's discretely presented component units and the related disclosures.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides accounting and financial reporting requirements for deferred outflows of resources and deferred inflows of resources, as defined and distinguished from assets and liabilities in GASB Concepts Statement No. 4, *Elements of Financial Statements*. It also provides guidance for reporting net position, the residual of all other elements presented in a statement of financial position. Implementation of this standard is reflected in the State's presentation of the proprietary fund, fiduciary fund, and the government-wide financial statements.

Q. Pending Changes in Accounting Principle

Three new accounting standards are effective for the fiscal year ending June 30, 2014.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, identifies the specific items previously reported as assets and liabilities that should be reclassified and reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The reclassifications are necessary to report financial statement elements in accordance with the definitions in GASB Concepts Statement No. 4. The State does not expect implementation of this standard to materially affect the State's financial statements.

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans* (an amendment to GASB Statement No. 25), is to improve the financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports, specifies the required approach to measuring the pension liability of employers for benefits provided through the pension plan (the net pension liability), and details the required note disclosures. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is to improve the recognition, measurement, and disclosure guidance for state and local governments that extend or receive nonexchange financial guarantees in connection with other governments, organizations, or individuals. The State does not expect implementation of this standard to materially affect the State's financial statements.

Two additional accounting standards become effective for the fiscal year ending June 30, 2015:

The purpose of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) is to improve the information provided by state and local governmental employers about the financial support for pension plans administered through certain trusts. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards for government combinations and disposals of government operations. The State is currently evaluating the impact of this standard on future financial statements.

2. DEPOSITS AND INVESTMENTS

The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit with the Oregon State Treasury (Treasury). In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The Treasurer is authorized to use demand deposit accounts, fixed income investments, and direct equity investment transactions, although the majority of equity investments are currently directed by external investment managers under contract with the Council. Furthermore, equity investments are limited to not more than 50 percent of the moneys contributed to the Oregon Public Employees Retirement Fund (OPERF) and the Industrial Accident Fund (SAIF Corporation) and not more than 65 percent of the other trust and endowment funds managed by the Council or the Treasury. The Deferred Compensation Fund, the Education Stability Fund, and the State Board of Higher Education may also invest in equities.

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in the investment trust fund. Because the pool operates as a demand deposit account, each fund's portion of the pool is classified on the financial statements as cash and cash equivalents. A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx

The Treasurer also makes short-term and long-term investments, which are held separately by several of the State's funds. The Treasury's direct investments in short-term securities are limited by portfolio rules established by the OSTF Board and the Council. Other investments are made directly by state agencies with the approval of the Treasurer.

A. Custodial Credit Risk

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the State will not be able to recover deposits or collateral securities that are in the possession of an outside party. The State does not have a formal policy regarding custodial credit risk for deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

Oregon Revised Statutes (ORS), Chapter 295, governs the collateralization of public funds. Bank depositories are required to pledge collateral against any public fund deposits in excess of deposit insurance amounts. This requirement provides additional protection for public funds in the event of a bank loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable.

ORS Chapter 295 provides the statutory authority for the Public Funds Collateralization Program (PFCP). The PFCP is an application created by the Treasury to facilitate bank depository, custodian, and public official compliance with ORS Chapter 295. Under the PFCP, banks are required to report quarterly to the Treasury, providing quarter-end public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. Banks are also required to report their net worth and FDIC capitalization information. The FDIC assigns each bank a capitalization category quarterly: well capitalized, adequately capitalized, or undercapitalized. Based on this information, the bank's minimum collateral required to be pledged with the custodian and the maximum liability in the pool of all banks are calculated for the next quarter. The maximum liability is reported to the bank, the Treasury, and the custodian.

Barring any exceptions, a bank depository is required to pledge collateral valued at no less than 10 percent of the bank's quarter-end public fund deposits if the bank is well capitalized and 110 percent if the bank is adequately capitalized, undercapitalized, or assigned to pledge 110 percent by Treasury.

There are three exceptions to this calculation, and any exceptions are required to be collateralized at 100 percent.

1. A bank may not accept public fund deposits from one depositor in excess of the bank's net worth. If the bank has a drop in net worth that takes it out of compliance, the bank is required to post 100 percent collateral on any amount the depositor has in excess of the bank's net worth while working to eliminate that excess.
2. A bank may not hold aggregate public funds in excess of a percentage of the bank's net worth based on its capitalization category (100 percent for undercapitalized, 150 percent for adequately capitalized, 200 percent for well capitalized) unless approved for a period of 90 days or less by the Treasury.
3. A bank may hold in excess of 30 percent of all aggregate public funds reported by all banks holding Oregon public funds, only if the excess is collateralized at 100 percent.

Where interest-bearing balances within the OSTF exceed the Federal Deposit Insurance amount of $250 thousand, the balances are covered by collateral held in the PFCP.

As of June 30, 2013, $2.3 billion in other bank balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of securities by a custodian or counterparty. For the year ended June 30, 2013, the State had $344.4 million of investments exposed to custodial credit risk. Investments with the trustee of Oregon Housing and Community Services Department (OHCSD) consisted of $1.7 million in U.S. Treasury obligations, $323 million in U.S. Agency securities, and $19.7 million in municipal bonds. They are held at the Federal Reserve under the name of OHCSD's bond trustee for the benefit of OHCSD.

B. Investments – Primary Government (Excluding the OPERF)

Investments Held at Treasury

Investments of the primary government (excluding the OPERF) held by the Treasurer require the exercise of prudent and reasonable care in the context of a fund's investment portfolio and as part of an overall investment strategy. The Treasurer is required to diversify investments unless it is not prudent to do so. In addition, the Treasurer must exercise reasonable care to incorporate risk and return objectives suitable to the particular investment fund. Each Treasury fund has a policy and procedure that addresses objectives and strategies.

Interest Rate Risk

Investment policy for fixed income investments under the direct management of the Treasurer generally limits the time horizon of the portfolio to an average maturity of 1 to 5 years. In addition, externally managed fixed income investment funds are required by policy to maintain an average bond duration level within 20 percent of the benchmark bond index. For investments not under the management of the Treasurer, there are no formal policies on interest rate risk. Investment objectives and strategies of the primary government (excluding the OPERF) are based on credit quality, asset diversification, and staggered maturities. For variable rate securities, the next interest rate reset date is used instead of the maturity date.

Credit Risk

Investment policies for fixed income investments under the management of the Treasurer require that the portfolio maintain an average Standard and Poor's (S&P) credit quality of AA or A, as determined for each investment fund. For investments not under management of the Treasurer, there are no formal policies on credit risk.

The credit rating for the investments at Treasury held within the governmental funds, excluding the Common School Fund, and using the segmented time distribution method at June 30, 2013 (in thousands):

			Investment Maturities (in years)				
Reporting Fund[1]	Investment Type	Credit Rating[2]	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2013
Public Transportation	U.S. Federal agency debt[3]	AA	$ -	$ 14,538	$ -	$ -	$ 14,538
			-	14,538	-	-	14,538
	Corporate bonds	AA	14,998	-	-	-	14,998
		A	39,768	12,844	-	-	52,612
		BBB	7,430	10,539	-	-	17,969
			62,196	23,383	-	-	85,579
			62,196	37,921	-	-	100,117
Employment Services	U.S. Treasury obligations	Exempt	-	-	-	4,682	4,682
			-	-	-	4,682	4,682
	U.S. Federal agency debt[3]	AA	-	12,308	4,953	-	17,261
			-	12,308	4,953	-	17,261
	Commercial paper	A	2,999	-	-	-	2,999
			2,999	-	-	-	2,999
	Asset backed securities	AAA	-	-	1,969	-	1,969
			-	-	1,969	-	1,969
	Collateralized mortgage obligations	AAA	-	-	-	3,677	3,677
			-	-	-	3,677	3,677
	Municipal bonds	AA	-	-	4,226	-	4,226
		B	-	-	229	-	229
			-	-	4,455	-	4,455
	Corporate bonds	AA	9,865	-	3,142	-	13,007
		A	10,048	6,404	9,228	-	25,680
		BBB	5,144	7,607	17,096	-	29,847
		B	-	8,087	-	-	8,087
			25,057	22,098	29,466	-	76,621
	Oregon Intermediate Term Pool[4]	Not rated	-	9,201	-	-	9,201
			-	9,201	-	-	9,201
	International debt securities	AAA	-	-	4,376	-	4,376
			-	-	4,376	-	4,376
			28,056	43,607	45,219	8,359	125,241
Residential Assistance	U.S. Federal agency debt[3]	AA	10,301	5,132	-	-	15,433
			10,301	5,132	-	-	15,433
Business Development	Oregon Intermediate Term Pool[4]	Not rated	-	18,739	-	-	18,739
			-	18,739	-	-	18,739
			$ 100,553	$ 105,399	$ 45,219	$ 8,359	259,530
General	Alternative Equities	N/A					12,098
Educational Support	Alternative Equities	N/A					41,717
							53,815
Total							$ 313,345

[1] See separate Common School Fund schedule.

[2] Investments of $4,682 of U.S. Treasury obligations are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] Included in U.S. Federal agency debt rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

[4] See separate Oregon Intermediate Term Pool schedule.

The credit rating for the Common School Fund's investments held at Treasury and using the segmented time distribution method at June 30, 2013 (in thousands):

		Investment Maturities (in years)				
Investment Type	Credit Rating[1]	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2013
U.S. Treasury obligations	Exempt	$ 20	$ 3,830	$ 5,591	$ 9,827	$ 19,268
U.S. Treasury strips	Exempt	4,049	-	198	-	4,247
U.S. Treasury TIPS	Exempt	-	-	-	1,813	1,813
U.S. Federal agency debt[2]	AA	2,422	-	-	146	2,568
	Not rated	10,148	-	-	-	10,148
U.S. Federal agency mortgages[2]	Exempt	-	-	-	6,969	6,969
	AAA	20	-	-	-	20
	AA	178	-	-	23,771	23,949
	Not rated	2,849	-	231	1,497	4,577
		19,686	3,830	6,020	44,023	73,559
Non-U.S. government debt	BBB	-	2	2,288	686	2,976
		-	2	2,288	686	2,976
Corporate bonds	AA	-	749	449	-	1,198
	A	1,333	7,382	3,656	2,592	14,963
	BBB	1,540	4,370	5,509	4,979	16,398
	BB	-	311	1,287	636	2,234
	B	37	63	230	306	636
		2,910	12,875	11,131	8,513	35,429
International debt securities	AA	-	210	20	-	230
	A	-	792	2,207	-	2,999
	BBB	404	1,077	2,407	700	4,588
	BB	-	173	152	27	352
	B	90	-	17	-	107
		494	2,252	4,803	727	8,276
Asset backed securities	AAA	590	-	-	206	796
	AA	977	-	-	-	977
	A	502	-	-	64	566
	BBB	430	-	12	-	442
	B	340	-	-	-	340
	CCC	285	-	-	-	285
	CC	1,702	-	-	-	1,702
		4,826	-	12	270	5,108
Collateralized mortgage obligations	AAA	-	-	-	450	450
	AA	63	-	-	110	173
	A	500	-	-	232	732
	BBB	1,334	-	-	85	1,419
	BB	948	-	-	74	1,022
	B	2,135	-	-	-	2,135
	CCC	2,361	-	-	-	2,361
	CC	615	-	-	-	615
	Not rated	25	-	-	-	25
		7,981	-	-	951	8,932
Domestic mutual funds - debt	AA	-	156,762	-	-	156,762
	B	-	16,359	-	-	16,359
		-	173,121	-	-	173,121
International mutual funds - debt	AA	-	-	3,328	-	3,328
	BB	-	3,122	-	-	3,122
		-	3,122	3,328	-	6,450
		$ 35,897	$ 195,202	$ 27,582	$ 55,170	313,851
Domestic equity securities	N/A					300,325
International equity securities	N/A					251,870
Domestic mutual funds - equity	N/A					189,942
Domestic real estate	N/A					843
International real estate	N/A					3,924
International rights and warrants	N/A					35
Lehman Brothers	N/A					18
Private equity holdings	N/A					97,174
						844,131
Total[3]						$ 1,157,982

[1] Investments of $19,268 in U.S. Treasury obligations, $4,247 in U.S. Treasury Strips, $1,813 in U.S. Treasury Inflation-Protected Securities (TIPS), and $6,969 in Government National Mortgage Association (GNMA), which are reported

within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[2] Included in U.S. Federal agency debt and U.S. Federal agency mortgages rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

[3] $1,101 in real estate investments are held outside Treasury. See separate schedule.

The Oregon Intermediate Term Pool (OITP) is an internal investment pool managed by the Treasurer. It is expected to provide a total return consistent with an investment grade quality, short duration diversified fixed income portfolio. The credit rating for the investments held within the OITP, excluding the University System Fund, and using the average effective duration method at June 30, 2013 (in thousands):

Investment Type	Credit Rating[1]	Balance at June 30, 2013	Average Effective Duration
U.S. Treasury securities	Exempt	$ 346	
		346	9.27
U.S. Federal agency debt[2]	AA	8,426	
	A	1,258	
		9,684	3.72
Corporate bonds	AAA	378	
	AA	555	
	A	10,232	
	BBB	23,123	
	Not rated	3,129	
		37,417	2.45
Municipal bonds	AAA	469	
	AA	1,087	
		1,556	4.76
Non-U.S. government securities	AA	1,409	
		1,409	2.93
International corporate debt securities	AA	951	
	A	1,219	
	BBB	3,253	
		5,423	3.57
Total		$ 55,835	

[1] Investments of $346 in U.S. Treasury securities are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[2] Included in U.S. Federal agency debt rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

The credit rating for the investments at Treasury held within the proprietary funds, excluding the University System Fund, and using the segmented time distribution method at June 30, 2013 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	Investment Type	Credit Rating[2]	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2013
Housing and Community Services[1]	U.S. Treasury obligations	Exempt	$ -	$ -	$ 1,303	$ 3,399	$ 4,702
	U.S. Federal agency debt[3]	AA	-	-	-	10,468	10,468
			-	-	1,303	13,867	15,170
Lottery Operations	U.S. Treasury strips	Exempt	7,203	30,222	30,554	40,053	108,032
	U.S. Federal agency debt[3]	Not rated	5,503	10,063	3,056	655	19,277
			12,706	40,285	33,610	40,708	127,309
Veterans' Loan	Corporate bonds	AA	7,011	-	-	-	7,011
			7,011	-	-	-	7,011
Central Services	U.S. Treasury obligations	Exempt	-	-	7,403	-	7,403
			-	-	7,403	-	7,403
	U.S. Federal agency debt[3]	AA	-	12,206	13,355	-	25,561
		Not rated	-	-	-	2,792	2,792
			-	12,206	13,355	2,792	28,353
	Asset backed securities	AAA	-	-	1,969	-	1,969
			-	-	1,969	-	1,969
	Corporate bonds	AAA	2,078	-	-	-	2,078
		AA	3,153	-	1,508	-	4,661
		A	12,313	1,770	2,707	-	16,790
		BBB	2,681	2,166	-	-	4,847
			20,225	3,936	4,215	-	28,376
	Non-U.S. government debt	AAA	-	-	2,491	-	2,491
		AA	-	5,077	-	-	5,077
			-	5,077	2,491	-	7,568
	International debt securities	AA	3,190	2,525	-	-	5,715
		A	1,653	3,407	-	-	5,060
			4,843	5,932	-	-	10,775
			25,068	27,151	29,433	2,792	84,444
Total			$ 44,785	$ 67,436	$ 64,346	$ 57,367	$ 233,934

[1] $344,438 in investments are held outside of Treasury. See separate schedule.

[2] Investments of $12,105 in U.S. Treasury obligations and $108,032 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] Included in U.S. Federal agency debt rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

The credit rating and average effective duration for the University System Fund's investments held at Treasury at June 30, 2013 (in thousands):

Investment Type	Credit Rating[1]	Balance at June 30, 2013	Average Effective Duration
U.S. Treasury securities	Exempt	$ 14,624	
		14,624	7.53
U.S. Federal agency debt[2]	AAA	2,214	
	AA	41,277	
	A	3,446	
	Not rated	22,106	
		69,043	3.59
Corporate bonds	AA	1,486	
	A	34,675	
	BBB	23,374	
		59,535	2.59
Municipal bonds	AAA	4,448	
	AA	3,380	
		7,828	3.11
Mutual funds - Domestic fixed income	AAA	10,900	
	AA	26,469	
	A	24,442	
	BBB	46,991	
	Below BBB	1,747	
	Not rated	12,515	
		123,064	3.41
Non-U.S. government securities	AAA	2,489	
	AA	5,073	
	A	4,911	
		12,473	5.68
International corporate debt securities	AA	2,527	
	A	4,168	
		6,695	2.14
Asset backed securities	AAA	12,729	3.82
Collateralized mortgage obligations	AAA	7,176	2.25
Money market fund	N/A	1,189	0.50
Equity investments	N/A	37,618	N/A
Real estate and real estate mortgages	N/A	2,139	N/A
Alternative equities	N/A	11,793	N/A
Less: University System amounts recorded as cash		(1,189)	
Total		$ 364,717	

[1] Investments of $14,624 in U.S. Treasury obligations are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[2] Included in U.S. Federal agency debt rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

The credit rating for the investments at Treasury held within the fiduciary funds, excluding the OPERF, and using the segmented time distribution method at June 30, 2013 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	Investment Type	Credit Rating	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2013
Private Purpose Trust	Oregon Intermediate Term Pool[1]	Not rated	$ -	$ 27,895	$ -	$ -	$ 27,895
Total			$ -	$ 27,895	$ -	$ -	$ 27,895

[1] See separate Oregon Intermediate Term Pool schedule.

Investments Held Outside of the Treasury

For investments held outside of the Treasury, statutes govern the placement of funds with outside parties as part of trust agreements or mandatory asset holdings by regulatory agencies.

The credit rating and segmented time distribution for investments held outside Treasury as of June 30, 2013 (in thousands):

Reporting Fund	Investment Type	Credit Rating[3]	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2013
Common School	U.S. Treasury strips[1]	Exempt	$ 2	$ -	$ 4	$ -	$ 6
	U.S. Federal agency strips[1]	AAA	-	3	4	14	21
	Municipal bonds[1]	AAA	5	9	4	20	38
	Domestic mutual funds - debt[1]	Not rated	2,612	-	-	-	2,612
			2,619	12	12	34	2,677
Revenue Bond	GICs[4]	N/A	-	59,617	-	2,524	62,141
			-	59,617	-	2,524	62,141
Housing and Community Services	U.S. Treasury obligations	Exempt	-	-	1,712	-	1,712
	U.S. Federal agency debt	AAA	13,655	1,677	10,511	37,872	63,715
		A	257,573	-	-	-	257,573
		Not rated	421	1,272	-	-	1,693
			271,649	2,949	12,223	37,872	324,693
	Municipal bonds	AAA	-	-	-	2,330	2,330
		AA	-	-	-	17,415	17,415
			-	-	-	19,745	19,745
			271,649	2,949	12,223	57,617	344,438
Consumer Protection	U.S. Treasury obligations[1]	Exempt	-	550	-	-	550
			-	550	-	-	550
Private Purpose Trust	U.S. Treasury obligations	Exempt	144	210	51	16	421
	Domestic mutual funds - debt	N/A	7	-	-	390	397
	Annuity contracts	N/A	-	-	-	530	530
			151	210	51	936	1,348
Agency	U.S. Treasury obligations[2]	Exempt	11,984	47,751	-	-	59,735
	Municipal bonds[2]	A	621	-	-	-	621
			12,605	47,751	-	-	60,356
			$ 287,024	$ 111,089	$ 12,286	$ 61,111	471,510
Common School	Real estate[1]	N/A					1,127
	Alternative equities[1]	N/A					11
	Domestic equity securities[1]	N/A					12,048
Private Purpose Trust	Domestic equity securities	N/A					206
Total							$ 484,902

[1] Some investments (along with certain cash deposits) are reported as part of custodial assets on the balance sheet.

[2] Some investments (along with certain cash deposits) are reported as receivership assets on the statement of fiduciary net position.

[3] Investments of $62,418 in U.S. Treasury obligations and $6 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

[4] Guaranteed investment contracts.

Investments of the Oregon Short-Term Fund (OSTF)

The OSTF is an external investment pool open to state agencies and local governments. Because the OSTF acts as a demand deposit account, both the cash and investments within the OSTF are shown as cash and cash equivalents on the balance sheet and statement of net position. The external portion of the OSTF is reported within the Investment Trust Fund. The OSTF staff manages interest rate risk by limiting the maturity of the investments. The portfolio rules require that at least 50 percent of the portfolio mature within 93 days; not more than 25 percent of the portfolio may mature in over a year; and no investments may mature or reset over three years from settlement date. For variable rate securities, the next interest rate reset date is used

instead of the maturity date. For variable rate securities in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date.

Interest rate and credit risk for the OSTF investments as of June 30, 2013 (in thousands):

		Investment Maturities			
Investment Type	**Credit Rating**	**Up to 93 Days**	**94 to 366 Days**	**One to Three Years**	**Balance at June 30, 2013**
Commercial paper	A	$ 14,950	$ -	$ -	$ 14,950
Corporate bonds	AA	784,217	25,172	104,799	914,188
	A	2,877,591	252,016	541,549	3,671,156
	BBB[1]	609,210	8,329	281,384	898,923
	Not rated[2]	-	-	50,000	50,000
Federal agency debt[5]	AA	907,933	216,167	478,409	1,602,509
	A	-	74,951	-	74,951
	Not rated[4]	2,108,184	189,178	-	2,297,362
Municipals	AAA	16,175	-	-	16,175
	AA	336,606	18,933	9,982	365,521
	A	97,441	-	7,486	104,927
Non-U.S. government debt	AA	275,738	131,328	50,325	457,391
	A	125,243	-	14,935	140,178
Time certificates of deposit	Not rated[3]	77,200	-	-	77,200
U.S. Treasury strips	Exempt[4]	-	135,085	772,634	907,719
Total		$ 8,230,488	$ 1,051,159	$ 2,311,503	$ 11,593,150

[1] Securities rated BBB in this table continue to meet the investment quality rules of the OSTF because they have at least one rating of S&P A-, Moody's A3 or Fitch A-.

[2] The corporate bonds showing as unrated at June 30 had an expected rating of Moody's Aa1 which was affirmed July 30, 2013, still meeting investment quality rules.

[3] Time certificates of deposit are considered deposits for purposes of credit quality and are fully covered by FDIC and state PFCP programs.

[4] GASB Statement 40 states that U.S. federal debt is considered to be without risk. For credit quality rules, federal debt is considered to be the highest quality, except when rated differently, as shown above.

[5] Included in Federal agency debt rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

OSTF policies provide for a minimum composite weighted average credit quality rating for the fund's holdings to be the equivalent of an AA Standard and Poor's (S&P) rating. The current minimums for corporate notes are an S&P rating of A-, Moody's of A3, or Fitch of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services with current minimum ratings from S&P of A-1, Moody's of P-1, and Fitch of F-1. Foreign government securities are required to have minimum credit ratings from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Occasionally, securities are downgraded but OSTF policies allow them to be retained at the Senior Investment Officer's discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's, or Fitch.

Interest Rate Sensitive Investments

As of June 30, 2013, the primary government held approximately $79.9 million in debt instruments backed by pooled mortgages, to-be-announced federal agency-issued mortgage pools, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. In addition, the primary government held approximately $21.6 million of asset-backed securities collateralized primarily by automobile, equipment lease, and student loan receivables.

Concentration of Credit Risk

Investment policies for fixed income investments under the management of the Treasurer generally limit investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S. government and U.S. agencies. For investments not under the management of the Treasurer, there are no formal policies on concentration of credit risk. At June 30, 2013, there were three issuers that exceeded 5 percent of the primary government's holdings (excluding the OPERF): $2 billion (13.8 percent) in Federal Home Loan Bank (FHLB); $966.5 million (6.8 percent) in Federal National Mortgage Association (FNMA); and $782.7 million (5.5 percent) in Federal Farm Credit Bank.

The Oregon Housing and Community Services Department also carried concentration of credit risk with $195.3 million (54.3 percent) of the department's total investments in FHLB, and $104.8 million (29.1 percent) in FNMA.

The Oregon State Lottery's investments included $19.3 million (15.1 percent) in the Resolution Funding Corporation (RFC), a U.S. government agency. The U.S. government does not explicitly guarantee these investments. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

The investments of the Oregon University System included $20.5 million (5.6 percent) in Federal Home Loan Mortgage Corporation (FHLMC).

The aggregated nonmajor enterprise fund total investments were $7 million (100 percent) invested in Westpac Banking Corporation.

Within the major governmental funds, the Public Transportation Fund's investments included $12 million (12 percent) in General Electric Capital Corporation, $11.2 million (11.2 percent) in Westpac Banking Corporation, $11.2 million (11.2 percent) in UBS AG Stamford, $8.8 million (8.8 percent) in Goldman Sachs, $7.4 million (7.4 percent) in National Retail Properties, $7.2 million (7.2 percent) in FNMA, $5.7 million (5.7 percent) in Caisse Centrale Desjardin, and $5.5 million (5.5 percent) in U.S. Bancorp.

The aggregated nonmajor governmental funds' total investments included $25.3 million (9.6 percent) in FHLMC. These funds also held nonparticipating guaranteed investment contracts with the following concentrations: $25.6 million (9.7 percent) in the Security Life of Denver Insurance Company, $21.6 million (8.2 percent) in American International Group, and $15.2 million (5.8 percent) in Bank of America.

The Central Services Fund held $17.7 million (21 percent) of its investments in FHLMC and $5.1 million (6 percent) in Province of Ontario bonds.

The Private Purpose Trust Fund held $2.7 million (9.2 percent) of its investments in FNMA and $1.6 million (5.3 percent) of its investments in FHLB.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Oregon state agencies are required to deposit moneys in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policies for fixed income investments under the management of the Treasurer generally prohibit investments in non-dollar denominated securities. The Common School Fund is allowed to invest in non-dollar denominated securities within a target allocation range of 25 to 35 percent of its portfolio. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

Deposits and investments exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2013 (in thousands):

	Deposits and Investments (U.S. Dollars)					
Foreign Currency Denomination	**Deposits**	**International Equity Securities**	**International Debt Securities**	**Real Estate Investment Trust**	**Rights and Warrants**	**Total**
Australian dollar	$ 153	$ 13,123	$ -	$ 924	$ -	$ 14,200
British sterling pound	63	36,395	-	182	-	36,640
Canadian dollar	109	11,636	-	-	-	11,745
Swiss franc	61	16,389	-	-	-	16,450
Danish krone	38	2,277	-	-	-	2,315
Euro	293	68,230	-	1,288	37	69,848
Hong Kong dollar	85	3,747	-	1,151	-	4,983
Israel new shekel	26	216	-	135	-	377
Japanese yen	676	61,254	-	162	-	62,092
Mexican peso	96	-	2,288	-	-	2,384
Norwegian krone	106	2,659	-	-	-	2,765
New Zealand dollar	8	694	-	-	-	702
Singapore dollar	54	2,097	-	229	-	2,380
Swedish krona	51	7,116	-	-	-	7,167
Total	$ 1,819	$ 225,833	$ 2,288	$ 4,071	$ 37	$ 234,048

C. Investments – Primary Government – Oregon Public Employees Retirement Fund

The Council establishes policies for the investment of moneys in the OPERF. Policies are based on the primary investment class of each investment manager and do not reflect the classifications of individual holdings as presented in the financial statements. Contracts with individual investment managers provide additional guidelines that vary from manager to manager.

Investments in the OPERF as of June 30, 2013 (in thousands):

Investment Type	Fair Value
Repurchase agreements	$ 1,248
U.S. Treasury securities	1,579,423
U.S. Treasury strips	24,818
U.S. Treasury TIPS	71,721
U.S. Agency debt	138,299
U.S. Agency mortgages	993,889
U.S. Agency mortgage TBAs	1,021,272
U.S. Agency strips	54,741
International debt securities	2,458,124
Corporate bonds	3,201,904
Bank loans	1,893,152
Municipal bonds	57,951
Collateralized mortgage obligations	892,186
Asset-backed securities	547,426
Mutual funds - domestic fixed income	1,276,594
Mutual funds - international fixed income	241,535
Total debt securities	14,454,283
Derivatives	61,262
Domestic equity securities	8,916,235
International equity securities	9,482,238
Mutual funds - domestic equity	2,399,575
Mutual funds - global equity	756,528
Mutual funds - international equity	2,394,397
Mutual funds - target date	342,047
Oregon Savings Growth Plan - self directed	2,918
Limited partnerships and leveraged buyouts	14,390,762
Real estate and real estate investment trusts	7,488,442
Alternative equity	627,700
Opportunity portfolio	812,620
Total investments	$ 62,129,007

Interest Rate Risk

Interest rate risk is managed within the OPERF using the effective duration methodology. Investment policies require that the fixed income manager positions will maintain a weighted average effective duration within plus or minus 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2013, the weighted average duration of the fixed income portfolio was 4.63 years and no individual fixed income investment manager portfolios were outside the policy guidelines.

At June 30, 2013, the OPERF held approximately $1.9 billion in debt instruments backed by pooled mortgages, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. The OPERF also held

approximately $1 billion in to-be-announced federal agency-issued mortgage pools. An additional $547.4 million of debt instruments are asset-backed securities backed primarily by automobile, equipment lease, and student loan receivables.

Debt investments of the OPERF as of June 30, 2013 (in thousands):

Investment Type	Balance at June 30, 2013	Weighted Average Duration
U.S. Treasury securities	$ 1,538,036	6.50
U.S. Treasury strips	24,818	22.14
U.S. Treasury TIPS	71,721	18.50
U.S. Agency debt	135,153	7.08
U.S. Agency mortgages	1,980,689	5.24
U.S. Agency strips	54,741	5.18
International debt securities	2,204,538	4.65
Corporate bonds	3,127,647	5.25
Bank loans	1,740,297	1.33
Municipal bonds	48,009	5.37
Collateralized mortgage obligations	806,617	3.53
Asset-backed securities	539,489	2.82
Mutual funds - domestic fixed income	1,088,936	4.00
Mutual funds - international fixed income	241,536	6.04
No effective duration:		
U.S. Treasury securities	41,387	
U.S. Agency debt	3,146	
U.S. Agency mortgages	34,472	
International debt securities	253,586	
Corporate bonds	74,257	
Bank loans	152,855	
Municipal bonds	9,942	
Collateralized mortgage obligations	85,568	
Asset-backed securities	7,937	
Guaranteed investment contract	157,671	
Mutual funds - domestic fixed income	29,987	
Repurchase agreements	1,248	
Total debt securities	14,454,283	
Cash equivalent - U.S. government short-term funds	59,432	37 days[1]
Total subject to interest rate risk	$ 14,513,715	

[1] Weighted average maturity

Credit Risk

Investment policy requires that no more than 35 percent of the fixed income manager positions be below investment grade. Securities with a quality rating below BBB- (S&P) are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2013, the fair value of below grade investments, excluding unrated securities, is $3.5 billion, or 27.5 percent, of total securities subject to credit risk, and the weighted quality rating average is BBB. Overall credit quality deteriorated due to downgrades in both corporate bonds and U.S. government securities. Unrated securities include $1.5 billion in mutual funds, $819.4 million in bank loans, and $1.6 billion in other debt securities.

Credit ratings for debt securities within the OPERF as of June 30, 2013 (in thousands):

Credit Rating	Balance at June 30, 2013
AAA	$ 932,215
AA[1]	2,122,001
A	831,944
BBB	2,259,409
BB	899,304
B	1,827,845
CCC	645,771
CC	130,808
C	402
D	614
Not rated	3,091,384
Total subject to credit risk	12,741,697
U.S. government guaranteed securities	1,712,586
Total	$ 14,454,283

[1] The AA rating total includes $1,777.4 million of mortgage pass-through securities which are not rated by credit rating agencies.

Concentrations of Credit Risk

The Council's investment policy pertaining to OPERF investments requires that investment managers maintain diversified portfolios. There is no limit on single issuer investments for domestic, global, and international equity fund managers. Policy requires that the asset classes be diversified across their respective markets. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management. Policy provides the following limitations for fixed income investment manager positions:

- There are no restrictions on obligations issued or guaranteed by the U.S. government, U.S. agencies, or government-sponsored enterprises.
- No more than 10 percent of the debt investment portfolio per issuer may be invested in obligations of other national governments.
- No more than 10 percent of the debt investment portfolio per issuer or 25 percent in a single issuer, after meeting additional collateral requirements, can be invested in private mortgage-backed and asset-backed securities. The collateral must be credit-independent of the issuer and the security's credit enhancement generated internally.
- No more than 3 percent of the debt investment portfolio may be invested in other issuers, excluding investments in commingled investments.

At June 30, 2013, no single issuer debt investments exceeded the above guidelines, nor were there investments in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Foreign currency risk within the OPERF is controlled via contractual agreements with the investment managers. Investment policies require that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of the OPERF are silent regarding this risk. As of June 30, 2013, approximately 3.1 percent of the debt investment portfolio was invested in non-dollar denominated securities.

The OPERF's exposure to foreign currency risk as of June 30, 2013 (in thousands):

	Deposits and Investments (U.S. Dollars)						
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Public Equity**	**Real Estate**	**Private Equity**	**Opportunity Portfolio**	**Total**
Argentine peso	$ 62	$ -	$ -	$ -	$ -	$ -	$ 62
Australian dollar	1,517	84,815	350,132	77,610	-	-	514,074
Bolivar fuerte	4	-	-	-	-	-	4
Brazilian real	1,082	18,256	139,398	3,823	-	-	162,559
British sterling pound	35,213	33,741	1,257,483	58,566	-	-	1,385,003
Canadian dollar	(466)	42,655	351,579	16,634	-	25,648	436,050
Chilean peso	40	-	6,895	-	-	-	6,935
Chinese yuan	189	-	2,884	-	-	-	3,073
Colombian peso	-	1,057	5,618	-	-	-	6,675
Costa Rica colon	-	740	-	-	-	-	740
Czech koruna	38	-	4,890	-	-	-	4,928
Danish krone	198	23	82,912	-	-	-	83,133
Dominican Republic peso	-	1,574	-	-	-	-	1,574
Egyptian pound	205	-	5,561	-	-	-	5,766
Euro	47,391	120,740	2,008,380	73,314	358,202	-	2,608,027
Hong Kong dollar	2,766	-	430,329	112,396	-	-	545,491
Hungarian forint	4	-	8,650	-	-	-	8,654
Indian rupee	182	-	65,422	-	-	-	65,604
Indonesian rupiah	321	-	51,256	-	-	-	51,577
Israeli shekel	527	-	21,510	-	-	-	22,037
Japanese yen	12,915	64,941	1,700,092	116,469	-	-	1,894,417
Kenya shilling	-	-	253	-	-	-	253
Malaysian ringgit	178	-	26,796	-	-	-	26,974
Mexican peso	754	14,641	45,412	1,266	-	-	62,073
New Zealand dollar	98	-	11,211	-	-	-	11,309
Nigerian naira	-	1,345	7,541	-	-	-	8,886
Norwegian krone	427	-	66,496	1,148	-	-	68,071
Pakistani rupee	139	-	839	-	-	-	978
Peruvian nuevo sol	-	470	1,280	-	-	-	1,750
Philippine peso	76	-	9,580	-	-	-	9,656
Polish zloty	53	1,346	9,213	-	-	-	10,612
Qatar riyal	-	-	3,709	-	-	-	3,709
Russian ruble	187	7,184	-	-	-	-	7,371
Singapore dollar	1,332	-	96,987	40,823	-	-	139,142
South African rand	444	363	127,190	-	-	-	127,997
South Korean won	7,764	-	339,093	-	-	-	346,857
Swedish krona	981	50,246	185,431	6,293	-	-	242,951
Swiss franc	256	-	476,338	6,219	-	-	482,813
Taiwan dollar	7,589	-	166,974	-	-	-	174,563
Thai baht	177	-	115,179	1,508	-	-	116,864
Turkish lira	377	4,693	95,266	371	-	-	100,707
United Arab Emirates dirham	-	-	4,677	-	-	-	4,677
Total	$ 123,020	$ 448,830	$ 8,282,456	$ 516,440	$ 358,202	$ 25,648	$ 9,754,596

D. Investments – Discretely Presented Component Units

<u>SAIF Corporation (SAIF)</u>

SAIF's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with ORS 293.726, the investment funds are to be invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. While the Treasurer is authorized to use demand deposit accounts and fixed income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Equity investments are limited to not more than 50 percent of the moneys contributed to the Industrial Accident Fund (SAIF Corporation). However, SAIF's adopted investment policy as approved by the

Council limits equity holdings to a range of 7 to 13 percent of the market value of invested assets with a target allocation of 10 percent.

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security.

Interest Rate Risk: SAIF's policy for fixed income investments effective January 27, 2010, provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2012, was 5.39 years, with an acceptable range of 4.31 to 6.47 years. As of that date, the fixed income portfolio's duration was 5.30 years.

The following 2012 maturity distribution schedule includes $1 billion in interest-rate sensitive securities. As of December 31, 2012, SAIF held $480.5 million of U.S. federal agency mortgage-backed securities and $279.4 million of collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. As of December 31, 2012, SAIF held $251 million of asset-backed securities, which consisted primarily of automobile loan, student loan, and credit card receivables. The value of these securities can be volatile as interest rates fluctuate. Additional risk inherent with these securities is the unpredictability of default on loans that are the collateral for the debt.

The following schedule presents SAIF's investments by maturity date as of December 31, 2012, using the segmented time distribution method (in thousands):

	Investment Maturities				
Investment Type	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at December 31, 2012**
U.S. Treasury securities	$ 224,505	$ 23,176	$ 58,564	$ 12,334	$ 318,579
U.S. Agency debt	-	8,455	3,522	1,757	13,734
U.S. Agency mortgages	99,679	177,606	70,871	132,308	480,464
Corporate bonds	34,970	613,151	732,982	651,141	2,032,244
Municipal bonds	4,082	29,843	3,356	85,856	123,137
Collateralized mortgage obligations	41,165	170,176	36,372	31,638	279,351
Asset-backed securities	112,075	78,569	31,936	28,416	250,996
International debt securities	10,247	100,591	152,463	108,885	372,186
	$ 526,723	$ 1,201,567	$ 1,090,066	$ 1,052,335	3,870,691
BlackRock MSCI ACWI IMI index fund					442,544
Total					$ 4,313,235

Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Credit Risk: SAIF's credit risk policy is to maintain a well-diversified investment portfolio. Fixed income holdings shall be the largest component of the portfolio. The policy seeks to maintain an overall fixed income portfolio quality of at least A or higher. The majority of SAIF's debt securities as of December 31, 2012, were rated by Moody's and Standard & Poor's, which are nationally recognized statistical rating organizations.

The following schedule represents the ratings of debt securities by investment type as of December 31, 2012, using the Standard & Poor's rating scale (in thousands):

Investment Type	Exempt	AAA	AA[1]	A	BBB	BB	B or below	Not rated	Balance at December 31, 2012
U.S. Treasury securities	$ 318,579	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 318,579
U.S. Agency debt[2]	864	-	9,347	-	-	-	-	3,523	13,734
U.S. Agency mortgages[2]	172,787	-	307,677	-	-	-	-	-	480,464
Corporate bonds	-	10,790	157,277	736,777	886,096	173,585	51,283	16,436	2,032,244
Municipal bonds	-	-	43,094	50,879	11,398	-	-	17,766	123,137
Collateralized mortgages	-	79,518	65,660	20,417	2,132	528	14,334	96,762	279,351
Asset-backed securities	-	104,840	90,413	1,087	-	-	416	54,240	250,996
International debt securities	-	8,053	18,503	118,822	181,520	34,598	9,679	1,011	372,186
Total	$ 492,230	$ 203,201	$ 691,971	$ 927,982	$1,081,146	$208,711	$75,712	$189,738	$ 3,870,691

[1] Investments of $318,579 in U.S. Treasury securities, $864 in U.S. Agency securities invested in Small Business Administration (SBA), $158,059 in U.S. Agency mortgages invested in GNMA, and $14,728 in U.S. Agency mortgages invested in NCUA Guaranteed Notes are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

[2] Included in U.S. Agency debt and U.S. Agency mortgages rated AA are investments in government-sponsored enterprises, which are implicitly guaranteed by the U.S. government. Therefore, the rating identified is of the U.S. government, not the actual debt security.

E. Repurchase Agreements

Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2013:

- $292 million, or 34 percent, of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- $1.1 billion, or 47.4 percent, of the OPERF cash collateral pool.

F. Securities Lending

The State participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2013.

During the year, State Street had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. securities, international fixed income securities, or 105 percent in the case of international equity. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and the State did not impose any restrictions during the fiscal year on the amount of the loans the custodian made on its behalf. The State is fully indemnified against losses due to borrower default by its custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies other than PERS. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the balance sheet and statement of net position. The Declaration also provides that if a significant difference exists between the constant value and the market-based net asset value of investments made with the collateral, the agent may determine that a condition exists that would create inequitable results if redemptions were made at the constant value. In that case, the agent may direct that units be redeemed at fair value, engage in in-kind redemptions, or take other

actions to avoid inequitable results for the fund participants, until the difference between the constant value and the fair value is deemed immaterial.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. Since the funds are accounted for at amortized cost, the fair value of the State's position in the funds is not the same as the value of the funds' shares. No income from the funds was assigned to any other funds.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2013, is effectively one day. On June 30, 2013, the State had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State.

Securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2013, of the primary government, including the OPERF (in thousands):

Investment Type	Cash and Securities Collateral Received	Securities on Loan at Fair Value	Investments of Cash Collateral at Fair Value
U.S. Treasury and agency securities	$ 1,521,762	$ 1,491,687	$ 930,551
Domestic equity securities	964,904	935,920	939,870
International equity securities	890,375	840,590	483,781
Domestic fixed income securities	561,398	550,114	627,504
International fixed income securities	62,860	62,658	62,706
Total	$ 4,001,299	$ 3,880,969	$ 3,044,412

State Street, as lending agent, has also created a fund, solely owned by OPERF, to reinvest cash collateral received. OPERF bears the entire risk of loss and the reinvested cash collateral is stated at fair value in the Pension and Other Employee Benefit Trust Funds in the statement of fiduciary net position.

The credit risk of OPERF securities lending invested cash collateral as of June 30, 2013 (in thousands):

Quality Rating	Fair Value
AAA	$ 201,148
AA[1]	415,564
A[1]	594,167
BBB	4,809
B	5,117
Unrated	1,098,000
Total subject to credit risk	2,318,805
Allocation from the Oregon Short-Term Fund	16,997
Cash	28,088
Total securities lending invested cash collateral	$ 2,363,890

[1] Commercial paper ratings of A-1+/P-1 are categorized as AA; A-1/P-1 as A.

The interest rate risk of OPERF securities lending invested cash collateral as of June 30, 2013 (in thousands):

Security Type	Fair Value	Effective Weighted Duration Rate (in days)[1]
Asset backed securities	$ 111,208	24
Certificates of deposit	59,991	22
Collateralized mortgage obligations	96,638	16
Commercial paper	97,999	39
Corporate bonds	198,956	41
International debt securities	656,013	46
Repurchase agreement	1,098,000	3
Total subject to interest rate risk	2,318,805	36
Allocation from the Oregon Short-Term Fund	16,997	
Cash	28,088	
Total securities lending invested cash collateral	$ 2,363,890	

[1] Weighted average days to maturity or next reset date.

As of December 31, 2012, the fair values of securities on loan and collateral held for SAIF Corporation were $316.9 million and $331.7 million, respectively.

G. Restricted Assets

Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2013, the primary government had restricted assets of $1.5 billion in deposits and $971 million in investments. The discretely presented component units had restricted assets of $1.8 billion in investments.

3. DERIVATIVES

Derivatives are financial instruments whose value is derived from underlying assets, reference rates, or indexes. A derivative generally takes the form of a contract in which two parties agree to make payments at some later date based on the value of the underlying assets, reference rates, or indexes. The main types of derivatives are futures, forwards, options, and swaps. The State uses derivative instruments as hedges against certain risks, for example, to counter increases in interest costs, and as investments. For investment derivatives, the Office of the State Treasurer (Treasury) policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the State's investments. Certain external management firms are allowed, through contract, to invest in derivative instruments in order to carry out their investment management activities.

A. Hedging Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Housing and Community Services Department

The Oregon Housing and Community Services Department (OHCSD) has entered into 14 separate pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed rate bonds. The notional amounts of the swaps match the principal amounts of the associated debt. The notional amounts totaled $301.8 million and the fair value of the swaps totaled negative $27.6 million as of June 30, 2013. During the fiscal year, the swap fair value increased by $9.6 million. The fair value balance, including any change during the fiscal year, is shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows and derivative instrument liabilities. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net

settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2013 (in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty	S&P
Multifamily housing revenue bonds								
2004 B	$ 13,925	12/16/04	3.89%	64% of 1-mo LIBOR[1] + .27%	$ (1,030)	7/1/46	Merrill Lynch	A-
Mortgage revenue bonds								
2003 L	15,000	4/21/10	3.64%	64.7% of 3-mo LIBOR + .23%	(459)	7/1/34	Royal Bank of Canada	AA-
2004 C	13,200	1/24/06	4.03%	64% of 1-mo LIBOR + .29%	(452)	7/1/34	Morgan Stanley	A-
2004 I	14,330	1/24/06	4.01%	64% of 1-mo LIBOR + .29%	(692)	7/1/34	Morgan Stanley	A-
2004 L	15,000	5/27/10	3.43%	64.8% of 3-mo LIBOR + .22%	(758)	7/1/35	Royal Bank of Canada	AA-
2005 C	10,500	5/27/10	3.35%	64.8% of 3-mo LIBOR + .22%	(518)	7/1/35	Royal Bank of Canada	AA-
2006 C	19,100	2/28/06	4.18%	64% of 1-mo LIBOR + .29%	(1,879)	7/1/36	Morgan Stanley	A-
2006 F	20,000	7/18/06	4.43%	64% of 1-mo LIBOR + .29%	(2,164)	7/1/37	Bank of America	A
2006 G	16,105	7/18/06	3.83%	64% of 1-mo LIBOR + .19%	(1,805)	7/1/16	Merrill Lynch	A-
2007 E	30,000	7/31/07	4.39%	64% of 1-mo LIBOR + .29%	(3,947)	7/1/38	JP Morgan Chase	A+
2007 H	30,000	11/20/07	4.06%	64% of 1-mo LIBOR + .30%	(3,593)	7/1/38	Merrill Lynch	A-
2008 C	35,000	2/26/08	3.75%	64% of 1-mo LIBOR + .30%	(3,418)	7/1/38	Bank of America	A
2008 F	35,000	5/13/08	3.74%	64% of 1-mo LIBOR + .31%	(2,960)	7/1/39	Bank of America	A
2008 I	34,650	8/26/08	3.72%	64% of 1-mo LIBOR + .31%	(3,875)	7/1/37	Bank of America	A
Total	$ 301,810				$ (27,550)			

[1] London Interbank Offered Rate

The multifamily housing revenue bonds (MF) 2004 B swap has a call option where OHCSD has the right to "call" (cancel) the swap in whole or in part semiannually beginning on January 1, 2015. The mortgage revenue bonds (MRB) swaps include options giving OHCSD the right to call the swaps in whole or in part, depending on the exercise date, semiannually beginning on January 1, 2012 (2004 C), July 1, 2012 (2004 I), January 1, 2013 (2006 C), July 1, 2013 (2006 F and 2008 F), January 1, 2014 (2003 L), July 1, 2014 (2007 E), January 1, 2015 (2007 H and 2008 C), July 1, 2015 (2004 L and 2005 C), or January 1, 2016 (2008 I). These options provide flexibility to manage the prepayments of loans and the related bonds.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCSD's tax-exempt bonds are determined weekly by a remarketing agent. OHCSD is exposed to basis risk when the variable rates received, which are based on the one or three-month London Interbank Offered Rate (LIBOR) rates, do not offset the variable rates paid on the bonds. As of June 30, 2013, the one-month LIBOR was 0.19 percent and the three-month LIBOR rate was 0.28 percent. OHCSD's variable rates as of June 30, 2013, can be found in Note 9.

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCSD or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the swap agreement. If any of the swaps are terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates and OHCSD would then be exposed to interest rate risk. In addition, if any of the swaps had a negative value at termination, OHCSD would be liable to the counterparty for a payment equal to the fair value of the swap.

Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCSD is exposed to rollover risk for the MRB 2006 G swap, which has a swap termination date of July 1, 2016. The associated bonds do not mature until 2028.

Debt service requirements of the variable rate debt and net swap payments of OHCSD, using interest rates as of June 30, 2013 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2014	$ 200	$ 384	$ 10,531	$ 11,115
2015	205	293	10,533	11,031
2016	215	293	10,525	11,033
2017	220	293	10,232	10,745
2018	235	293	9,945	10,473
2019-2023	5,745	1,456	49,479	56,680
2024-2028	37,895	1,381	47,287	86,563
2029-2033	122,280	1,008	36,374	159,662
2034-2038	116,515	384	13,581	130,480
2039-2043	19,175	35	1,160	20,370
2044-2048	2,495	5	178	2,678
Total	$ 305,180	$ 5,825	$ 199,825	$ 510,830

OHCSD's swaps, except for the MF 2004 B and the MRB 2007 E swaps, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (MRB) is not above either Baa1 (Moody's) or BBB+ (S&P). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest $10 thousand) must be posted. The minimum transfer amount is $100 thousand or $0 if neither rating agency rates the bonds. The total fair value on June 30, 2013, of the swaps that include these provisions is negative $22.6 million. At June 30, 2013, the bonds subject to these provisions are rated Aa2 by Moody's; the bonds are not rated by S&P.

Oregon University System

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. In the course of providing students and faculty opportunities for international studies and research abroad, the Oregon University System (OUS) has established foreign bank accounts in several countries. To mitigate foreign currency risk for these activities, OUS periodically enters into forward foreign currency contracts.

The terms of the OUS forward contracts outstanding at June 30, 2013 (in thousands):

Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
Canadian Dollar	$ 1	$ 1	2/11/2013	9/30/2013	$ 1.02	$ -
Euro	619	823	5/14/2013	3/31/2014	1.33	(18)
	88	118	4/3/2013	7/31/2013	1.35	(4)
Japanese Yen	5,000	55	4/3/2013	3/14/2014	0.01	(5)
Total	$ 5,708	$ 997				$ (27)

Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA), a nonmajor enterprise fund, has an interest rate swap in connection with a portion of its Loan Program General Obligation Veterans' Welfare Bonds, Series 84. The swap and underlying floating rate bonds together create synthetic fixed rate debt. During fiscal year 2013, DVA did not enter into, terminate, or have any maturities of derivatives. The fair value balance of the interest rate swap is reported on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows and derivative instrument liabilities.

Changes to the fair value balance during the year ending June 30, 2013 (in thousands):

Description	Notional Amount	Fair Value June 30, 2012	Fair Value Increase/ (Decrease)	Fair Value June 30, 2013
Series 84	$ 25,000	$ (3,047)	$ 796	$ (2,251)

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2013, is negative. The fair value of the interest rate swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap by assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap.

The terms and objectives of DVA outstanding derivative instruments as of June 30, 2013 (in thousands):

Type	Objective	Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 84 bonds, specifically related to changes in municipal tax-exempt interest rates	$25,000	3/1/2008	6/1/2040	3.67%	62.6% of 1-month LIBOR + .265%	$ (2,251)

The Series 84 swap was structured with an option that gives the DVA the right to cancel or terminate the swap at par on any payment date, in whole or in part, commencing June 1, 2017. This option enhances asset/liability matching and provides flexibility to adjust the outstanding notional amount of the swap over time.

Credit risk is the risk that a counterparty will not fulfill its obligations. The DVA interest rate swap is with Morgan Stanley Capital Services (counterparty), which is rated A- and Baa1 by S&P and Moody's, respectively. If the counterparty's credit rating falls below certain levels, the counterparty is required to post collateral to the lower of the following ratings (in thousands):

S & P Rating	Moody's Rating	Threshold	Minimum Transfer Amount[1]
AA- or higher	Aa3 or higher	Infinite	N/A
A+	A1	$ 10,000	$ 1,000
A	A2	5,000	1,000
A-	A3	2,500	1,000
BBB+ or below or not rated	Baa1 or below or not rated	-	100

[1] Minimum transfer amount shall be $0 if, and for as long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated debt securities of Morgan Stanley.

Since the fair value of the swap as of June 30, 2013, is negative, the counterparty is not required to post collateral. The State may require collateralization or other credit enhancements to secure any or all swap payment obligations where the Office of the State Treasurer determines such security is necessary to limit the credit risk or otherwise protect the interests of the State.

The DVA is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As the one-month LIBOR rate decreases, the net payment on the swap increases.

The DVA is exposed to basis risk because the variable rate bonds, which are hedged by the interest rate swap, are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The DVA becomes exposed to basis risk because the variable rate payments received by the DVA are based on a rate other than the interest rate paid on the VRDO bonds. At June 30, 2013, the interest rate on the variable rate hedged debt is 0.06 percent, while the 62.6 percent of one-month LIBOR plus 0.27 percent is 0.39 percent.

The DVA or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract thereby exposing the DVA to termination risk.

As interest rates fluctuate, variable rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to the DVA. Using interest rates as of June 30, 2013, the following table presents the debt service requirements of the variable rate debt (on the notional amount of the swap) and net swap payments (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swap (Net)	Total
2014	$ -	$ 15	$ 821	$ 836
2015	-	15	821	836
2016	410	15	811	1,236
2017	445	15	797	1,257
2018	480	14	781	1,275
2019-2023	2,895	67	3,637	6,599
2024-2028	3,980	57	3,069	7,106
2029-2033	5,490	43	2,286	7,819
2034-2038	7,535	24	1,208	8,767
2039-2040	3,765	3	95	3,863
Total	$ 25,000	$ 268	$ 14,326	$ 39,594

If the State's unsecured, unenhanced, general obligation debt rating reaches certain levels, the DVA is required to post collateral to the lower of the following ratings (in thousands):

S&P Rating	Moody's Rating	Threshold	Minimum Transfer Amount[1]
A- or higher	A3 or higher	Infinite	N/A
BBB+ or below	Baa1 or below	$ -	$ 100

[1] Minimum transfer amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the applicable department's debt.

B. Investment Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Oregon University System

OUS has entered into foreign currency exchange contracts to offset the foreign currency risk associated with its investments in international debt and equity securities. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

The following schedule presents the OUS foreign currency exchange contracts as of June 30, 2013 (in thousands):

Description	Delivery Dates	Notional Value	Fair Market Value
Foreign currency exchange contracts purchased:			
Australian dollar	9/18/2013	$ 190	$ 184
British pound sterling	9/18/2013	94	92
Canadian dollar	9/18/2013	1,320	1,280
Danish krone	9/18/2013	648	637
Euro	9/18/2013	275	270
Hong Kong dollar	9/18/2013	1,450	1,451
New Zealand dollar	9/18/2013	970	947
Norwegian krone	9/18/2013	5	4
Singapore dollar	9/18/2013	40	39
Swiss franc	9/18/2013	193	188
Total contracts purchased		5,185	5,092
Foreign currency exchange contracts sold:			
Australian dollar	9/18/2013	437	420
British pound sterling	9/18/2013	106	102
Euro	9/18/2013	2,356	2,316
Hong Kong dollar	9/18/2013	125	125
Israeli shekel	9/18/2013	1	1
Japanese yen	9/18/2013	980	961
Norwegian krone	9/18/2013	212	201
Singapore dollar	9/18/2013	83	81
Swedish krona	9/18/2013	309	302
Swiss franc	9/18/2013	535	529
Total contracts sold		5,144	5,038
Total foreign currency exchange contracts		$ 10,329	$ 10,130

The fair value of all derivatives held by OUS is reported as investments on the proprietary funds statement of net position. The change in fair value for all OUS derivatives is reported with investment income on the proprietary funds statement of revenues, expenses, and changes in fund net position.

Common School Fund

In the Common School Fund (CSF) portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes movement in the value of foreign currencies and the failure of the counterparty to perform. The change in fair value for all of the CSF's foreign currency exchange contracts for the year ended June 30, 2013, was negative $1.4 million.

The foreign currency exchange contracts within the CSF as of June 30, 2013 (in thousands):

Description	Delivery Dates	Notional Value	Fair Market Value
Foreign currency exchange contracts purchased:			
Australian dollar	9/18/2013	$ 1,195	$ 1,155
British pound sterling	9/18/2013	1,072	1,047
Canadian dollar	9/18/2013	13,176	12,763
Danish krone	9/18/2013	6,462	6,347
Euro	9/18/2013	2,460	2,408
Hong Kong dollar	9/18/2013	13,351	13,359
New Zealand dollar	9/18/2013	8,464	8,252
Norwegian krone	9/18/2013	90	88
Singapore dollar	9/18/2013	1,452	1,455
Swiss franc	9/18/2013	1,947	1,911
Total contracts purchased		49,669	48,785
Foreign currency exchange contracts sold:			
Australian dollar	9/18/2013	6,226	6,406
British pound sterling	9/18/2013	600	619
Danish krone	9/18/2013	552	569
Euro	9/18/2013	23,545	23,944
Hong Kong dollar	9/18/2013	861	861
Israeli shekel	9/18/2013	380	383
Japanese yen	9/18/2013	9,283	9,465
Norwegian krone	9/18/2013	1,539	1,622
Singapore dollar	9/18/2013	6	6
Swedish krona	9/18/2013	1,699	1,741
Swiss franc	9/18/2013	4,666	4,722
Total contracts sold		49,357	50,338
Total foreign currency exchange contracts		$ 99,026	$ 99,123

In the CSF portfolio, rights and warrants are often obtained and held due to existing investments. Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain period. Rights and warrants are privately transacted in over-the-counter markets. Both are subject to general market risk and liquidity risk. The change in fair value for the CSF's rights and warrants for the year ended June 30, 2013, was $1 thousand. The fair value of rights and warrants within the CSF portfolio as of June 30, 2013 (dollars in thousands):

Type	Expiration Date	Related Number of Shares	Fair Value
Rights	7/4/2013-8/28/2013	54,431	$ 35

The fair value of all derivative instruments within the CSF are reported on the governmental funds balance sheet as investments, accounts and interest receivable, and accounts and interest payable. The change in fair value for all CSF derivative instruments is reported with investment income on the governmental funds statement of revenues, expenditures, and changes in fund balances.

C. Investment Derivatives - Oregon Public Employees Retirement Fund (OPERF)

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the Public Employees Retirement System (PERS) investments. Certain internally and externally managed accounts are allowed, through contract and policy, to invest in derivative instruments in order to carry out their investment management activities. Risks inherent with derivatives are managed through investment management's adherence to contractual and policy prescribed terms that are consistent with the OPERF's investing objectives. All derivatives are considered investments. The fair value of the derivative investments is reported in equity investments, investment sales receivable, and accounts and interest payable on the statement of fiduciary net position. Changes in fair value during the fiscal year are reported in the net appreciation (depreciation) in fair value of investments line on the statement of changes in fiduciary net position. The fair values reported in the following PERS tables are not the same as amounts reported as investments in the financial statements because derivatives with net loss positions have been reclassified as liabilities.

Currency Forwards

A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. Risk associated with such contracts includes movement in the value of foreign currencies and the ability of the counterparty to perform. The change in fair value arising from the difference between the original contracts and the closing of such contracts is $46.2 million for the fiscal year ended June 30, 2013.

Foreign currency forward contracts that represent purchase commitments within the PERS portfolio as of June 30, 2013 (in thousands):

Description	Delivery Dates	Notional Value	Fair Value
Australian dollar	7/11/2013 - 9/18/2013	$ 142,916	$ (7,366)
Brazilian real	7/2/2013 - 8/2/2013	33,578	(930)
British pound sterling	7/2/2013 - 9/18/2013	166,593	(3,049)
Canadian dollar	7/18/2013 - 9/23/2013	169,047	(3,993)
Chinese yuan	8/5/2013 - 9/8/2015	10,922	(76)
Danish krone	7/2/2013 - 9/18/2013	89,063	(1,584)
Euro	7/1/2013 - 9/18/2013	327,544	(4,029)
Hong Kong dollar	7/31/2013 - 9/18/2013	129,413	78
Indian rupee	9/18/2013	359	(5)
Israeli shekel	7/31/2013 - 9/18/2013	7,027	(8)
Japanese yen	7/11/2013 - 9/18/2013	223,994	(4,018)
Malaysian ringgit	9/18/2013	177	(1)
Mexican peso	7/11/2013 - 9/18/2013	26,430	(1,287)
New Zealand dollar	8/16/2013 - 9/18/2013	101,212	(3,861)
Nigerian naira	12/9/2013	352	6
Norwegian krone	7/31/2013 - 9/18/2013	66,047	(2,974)
Philippine peso	9/18/2013	185	1
Singapore dollar	9/18/2013	23,890	(233)
South Korean won	8/16/2013	1,758	33
Swedish krona	7/31/2013 - 9/18/2013	136,187	(3,311)
Swiss franc	7/31/2013 - 9/18/2013	101,922	(429)
Turkish lira	7/19/2013	1,419	(31)
Total		$ 1,760,035	$ (37,067)

Foreign currency forward contracts that represent sell commitments within the PERS portfolio as of June 30, 2013 (in thousands):

Description	Delivery Dates	Notional Value	Fair Value
Australian dollar	7/9/2013 - 10/9/2014	$ 252,656	$ 18,373
Brazilian real	7/2/2013 - 9/4/2013	53,212	878
British pound sterling	7/2/2013 - 11/29/2013	214,544	4,255
Canadian dollar	7/11/2013 - 9/23/2013	109,373	2,560
Chinese yuan	8/5/2013 - 9/8/2015	10,692	(153)
Colombian peso	9/18/2013	1,130	20
Danish krone	7/31/2013 - 9/18/2013	10,327	116
Euro	7/2/2013 - 8/13/2015	481,397	6,486
Hong Kong dollar	9/18/2013	13,300	(6)
Israeli shekel	9/18/2013	3,412	21
Japanese yen	7/11/2013 - 9/18/2013	227,449	3,219
Mexican peso	7/11/2013	24,017	(684)
New Zealand dollar	8/16/2013 - 9/18/2013	71,581	1,714
Norwegian krone	9/18/2013	45,779	1,739
Peruvian nouveau sol	9/18/2013	494	7
Polish zloty	7/19/2013	1,504	28
Russian ruble	8/23/2013 - 9/18/2013	2,216	16
Singapore dollar	9/18/2013	304	-
South African rand	8/5/2013 - 9/18/2013	1,586	2
South Korean won	8/16/2013	35,337	1,148
Swedish krona	8/16/2012 - 9/18/2013	77,419	797
Swiss franc	7/31/2013 - 9/18/2013	113,308	853
Turkish lira	7/19/2013	1,428	33
Total		$ 1,752,465	$ 41,422

Futures and Forwards

Futures and forward contracts represent commitments to buy or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are exchange-traded. Forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The counterparty credit risk for futures is generally less than privately negotiated forward contracts because the clearing house, which is the issuer of or counterparty to each exchange-traded futures contract, daily settles the net change in the futures contract's value in cash with the broker. In the PERS portfolio, futures and forward contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, equity indexes, and other market conditions. The OPERF bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures and forward contracts and movements in the price of the securities hedged or used for cover. The change in fair value resulting from futures contract settlements totaled $209.7 million for the fiscal year ended June 30, 2013. The change in fair value resulting from forward contract settlements was negative $3.4 million for the fiscal year ended June 30, 2013. The fair value of the futures contracts reported within the PERS portfolio is $0.

The balance of the fixed income futures contracts within the PERS portfolio as of June 30, 2013 (dollars in thousands):

Fixed Income Type	Expiration Date	Number of Contracts	Notional Value
Long cash and cash equivalents:			
90-day Euro	9/18/2013	523	$ 129,554
3-month Euribor	6/16/2014	361	116,748
Total long cash and cash equivalents			246,302
Short cash and cash equivalents:			
90-day Euro	9/14/2015	4	(988)
Long fixed income:			
10-year U.S. Treasury Notes	9/19/2013	6,047	765,324
5-year U.S. Treasury Notes	9/30/2013	7,132	863,306
2-year U.S. Treasury Notes	9/30/2013	2,750	605,000
U.S. Long Bond	9/19/2013	2,271	308,501
Ultra Long U.S. Treasury Bonds	9/19/2013	879	129,488
UK Long Gilt Bond	9/26/2013	72	12,220
Total long fixed income			2,683,839
Short fixed income:			
10-year Japanese Gov't Bonds	9/10/2013	81	(116,361)
10-year U.S. Treasury Notes	9/19/2013	4,829	(611,170)
5-year U.S. Treasury Notes	9/30/2013	249	(30,141)
2-year U.S. Treasury Notes	9/30/2013	185	(40,700)
Euro-OAT	9/6/2013	127	(21,868)
German Euro BUND	9/6/2013	74	(13,613)
U.S. Long Bonds	9/19/2013	567	(77,023)
Ultra Long U S Treasury Bonds	9/19/2013	90	(13,258)
Total short fixed income			(924,134)
Total fixed income futures contracts			$ 2,005,019

The balance of the index futures contracts within the PERS portfolio as of June 30, 2013 (dollars in thousands):

Index Type	Expiration Date	Number of Contracts	Notional Value
Long purchased indexes:			
Amsterdam	7/19/2013	110	$ 9,860
CAC 40 10 Euro	7/19/2013	1,197	58,106
DAX	9/20/2013	213	55,142
DJ Euro STOXX 50	9/20/2013	951	32,115
FTSE 100	9/20/2013	1,213	113,357
FTSE MIB	9/20/2013	57	5,654
Hang Seng	7/30/2013	185	24,721
IBEX 35	7/19/2013	304	30,304
MSCI Singapore IX ETS	7/30/2013	33	1,839
OMX 30	7/19/2013	458	7,805
Russell 1000 Mini	9/20/2013	659	58,453
Russell 2000 Mini	9/20/2013	1,868	182,074
S&P 500 E Mini	9/20/2013	4,484	358,563
S&P 500	9/19/2013	3	1,199
S&P Midcap 400 E Mini	9/20/2013	14	1,621
S&P TSE 60	9/19/2013	203	26,663
SPI 200	9/19/2013	178	19,426
TOPIX	9/12/2013	890	101,333
Total long purchased indexes			1,088,235
Short purchased indexes:			
FTSE MIB	9/20/2013	84	(8,332)
OMX 30	7/19/2013	1,549	(26,398)
S&P 500 E Mini	9/20/2013	534	(42,701)
S&P TSE 60	9/19/2013	214	(28,108)
SPI 200	9/19/2013	229	(24,991)
Swiss Market	9/20/2013	113	(9,150)
Total short purchased indexes			(139,680)
Total purchased indexes			$ 948,555

The balance of the forward contracts within the PERS portfolio as of June 30, 2013 (in thousands):

Type of Forward Contract	Expiration Date	Notional Value	Fair Value
Forward assets:			
German Government Bonds	9/4/2022	$ 12,545	$ (547)
Sweden Government Bonds	6/1/2022	50,246	(4,055)
Total forward assets		62,791	(4,602)
Forward liabilities:			
German Government Bonds	9/4/2022	(45,818)	384
US Treasury - TIPS	1/15/2023	(50,620)	5
Total forward liabilities		(96,438)	389
Total forward contracts		$ (33,647)	$ (4,213)

Swaps

A swap is an agreement that obligates two parties to exchange a series of cash flows or the net value of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. The OPERF may enter into various types of swaps, including credit default, interest rate, and total return swaps. The OPERF may use swaps to obtain efficient investment exposure or to hedge exposure to interest and currency rates and to movements in the debt and equity markets. The payment flows are usually netted against each other, with the difference being paid by one party or another. In addition, collateral may be pledged or received by the OPERF in accordance with the terms of the respective swap agreements to provide value and recourse to the OPERF or its counterparties.

Credit default swaps represent agreements between parties to exchange a fixed rate premium by the buyer of protection in exchange for a contingent payment by the seller of protection equal to the loss in value of an underlying debt instrument triggered by the occurrence of a defined credit event (such as bankruptcy, restructuring, failure to make payments when due, and repudiation/moratorium for sovereign underlying instruments). Under the terms of the swap, the protection seller acts as a “guarantor” receiving a periodic payment that is equal to a fixed percentage applied to a notional principal amount. In return, the seller of protection agrees to pay the notional amount of the underlying instrument, less its distressed value, if a credit event occurs during the term of the swap. Credit default swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. In the PERS portfolio, credit default swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in specific investments, bond markets, and other market conditions. Credit default swaps are subject to general market risk, liquidity risk, credit risk, and the risk that the counterparty fails to perform.

Interest rate swaps represent agreements between two parties to exchange cash flows or the net value of cash flows based on a notional amount and an underlying interest rate. Interest rate swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. The OPERF may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate based on a notional amount and a reference rate. In the PERS portfolio, interest rate swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets, and other market conditions. Risk associated with such contracts includes liquidity risk, interest rate risk, and the risk that the counterparty fails to perform.

Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. Total return swaps are privately negotiated contracts with customized terms that are transacted in over-the-counter markets. In the PERS portfolio, total return swap contracts may be used to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets, equity markets, and other market conditions. Total return swaps are subject to general market risk, liquidity risk, and the risk that the counterparty fails to perform.

The change in fair value of swap contracts within the PERS portfolio for the year ended June 30, 2013, was $88.3 million. The balances of the swap contracts as of June 30, 2013 (in thousands):

Description	PERS Receives	PERS Pays	Maturity date	Notional Value	Fair Value
Interest rate swaps -					
pay fixed asset	3- or 6-month LIBOR	1.00 - 3.08%	3/20/2018 - 6/19/2043	$ 880,500	$ 14,240
pay fixed liability	3-month LIBOR	1.70 - 2.71%	3/20/2018 - 7/1/2023	23,700	(222)
receive fixed asset	0.54% - 10.58%	3-month CDOR or 3-month LIBOR	6/16/2016 - 12/15/2025	53,775	2,087
receive fixed liability	0.54%	3-month CDOR or 12-month BRCDI	1/2/2015 - 1/2/2017	131,400	(1,666)
Credit default swaps -					
pay fixed asset	CDP[1]	0.09 - 1.00%	12/20/2013 - 10/12/2052	157,032	20,235
pay fixed liability	CDP[1]	0.58 - 5.00%	9/20/2013 - 3/20/2019	496,638	(7,641)
receive fixed asset	1.00 - 5.00%	CDP[1]	4/20/2014 - 12/25/2037	110,357	6,663
receive fixed liability	0.08 - 5.00%	CDP[1]	9/20/2015 - 5/11/2063	89,867	(12,429)
Total equity return swaps	Equity position	1- or 3-month LIBOR	5/15/2014 - 1/12/2041	762	(17,181)
Total swap contracts				$ 1,944,031	$ 4,086

[1] Credit default protection. Represents the difference between the original price of the reference asset and the recovery amount should a credit default event occurs.

The counterparties' credit ratings for swaps contracts within the PERS portfolio as of June 30, 2013 (in thousands):

Counterparty Information	S&P	Moody's	Credit Default Swaps	Interest Rate Swaps	Total Return Swaps	Total
Bank of America Merrill Lynch	A-	Baa2	$ 2,859	$ -	$ -	$ 2,859
Barclay's Bank	A-	A3	1,323	-	13	1,336
Citigroup Global Markets	A-	Baa2	2,884	-	-	2,884
CME Group	AA-	Aa3	-	7,125	-	7,125
Credit Suisse	A-	A2	2,274	-	-	2,274
Deutsche Bank	A	A2	5,299	5	-	5,304
Goldman Sachs	A-	A3	1,578	9,197	-	10,775
Intercontinental Exchange	N/A	N/A	51	-	-	51
JP Morgan Chase	A	A2	3,301	-	-	3,301
Morgan Stanley	A-	Baa1	4,183	-	-	4,183
Royal Bank of Scotland	A-	Baa1	298	-	-	298
UBS AG Stamford	A	A2	2,849	-	-	2,849
Total swaps subject to credit risk			$ 26,899	$ 16,327	$ 13	$ 43,239

Options

An option is an instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specified period of time. A European option is an option that can only be exercised on the expiration date. A call option gives the purchaser the option to buy (and the seller the obligation to sell) the underlying investment at the contracted exercise price. A put option gives the purchaser the option to sell (and the writer the obligation to buy) the underlying investment at the contracted exercise price. Options can be exchange-traded or private contracts between two or more parties. Exchange-traded options are cleared through and guaranteed by clearing houses. In the PERS portfolio, option and European option contracts may be bought or sold to gain exposure to or hedge against the effects of fluctuations in interest rates, currency exchange rates, bond markets, equity markets, and other market conditions.

In writing an option, the OPERF bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by the OPERF could result in the OPERF selling or buying an asset at a price different from the current market value. The risk associated with purchasing an option is that the OPERF pays a premium whether or not the option is exercised. Options and European options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk and, for non-exchange-traded options, the risk of the counterparty's ability to perform. The change in fair value of option contracts within the PERS portfolio for the year ended June 30, 2013, was $1.1 million.

The balance of the option contracts within the PERS portfolio as of June 30, 2013 (dollars in thousands):

Description	Expiration Date	Contracts	Units	Fair Value
Fixed Income:				
Written calls				
INF CAP USD CPURNSA	3/4/2015	1,800,000	(1,800,000)	$ (1)
IRO Euro 1Y 0.4 BOA	3/12/2014	2,000,000	(2,000,000)	(2)
IRO Euro 1Y 0.4 GLM	3/12/2014	500,000	(500,000)	(1)
IRO Euro 1Y 0.4 DUB	3/12/2014	1,100,000	(1,100,000)	(1)
IRO Euro 1Y 0.4 RYL	3/12/2014	1,500,000	(1,500,000)	(2)
Total written calls			(6,900,000)	(7)
Purchased puts				
IRO USD 30Y 3.45	9/21/2015	3,000,000	3,000,000	383
IRO USD 30Y 3.45 CBK	9/21/2015	1,900,000	1,900,000	242
Total purchased puts			4,900,000	625
Written puts				
INF Floor USD CPURNS	3/4/2015	1,800,000	(1,800,000)	(1)
INF Floor USD CPURNSA	10/13/2020	800,000	(800,000)	(1)
IRO Euro 1Y 0.4 BOA	3/12/2014	2,000,000	(2,000,000)	(6)
IRO Euro 1Y 0.4 GLM	3/12/2014	500,000	(500,000)	(1)
IRO Euro 1Y 0.4 DUB	3/12/2014	1,100,000	(1,100,000)	(3)
IRO Euro 1Y 0.4 RYL	3/12/2014	1,500,000	(1,500,000)	(4)
IRO USD 5Y 2.5	9/21/2015	12,600,000	(12,600,000)	(493)
IRO USD 5Y 2.5 CBK	9/21/2015	8,400,000	(8,400,000)	(329)
Total written puts			(28,700,000)	(838)
Total fixed income			(30,700,000)	(220)
Option futures:				
Calls				
Purchased:				
2-year Euro midcurve	9/13/2013	2,716	6,790,000	541
Written:				
10-year Treasury note	8/23/2013	498	(498,000)	(62)
3-year Euro midcurve	9/13/2013	225	(562,500)	(14)
2-year Euro midcurve	9/13/2013	4,092	(10,230,000)	(250)
Total calls written			(11,290,500)	(326)
Total option future calls			(4,500,500)	215
Puts				
Written:				
10-year Treasury note	8/23/2013	498	(498,000)	(638)
Total option future puts			(498,000)	(638)
Total option futures			(498,000)	(638)
Total option contracts			(31,198,000)	$ (858)

Swaptions

A swaption is an option to enter into an interest rate swap at an agreed upon fixed rate until or at some future date. Swaption contracts entered into by the OPERF typically represent an option that gives the purchaser the right, but not the obligation, to enter into a swap contract on a future date. If a call swaption is exercised, the purchaser will enter into a swap contract to receive the fixed rate and pay a floating rate in exchange. Exercising a put swaption would entitle the purchaser to pay a fixed rate and receive a floating rate. Swaptions are privately negotiated contracts with customized terms and are transacted in the over-the-counter markets. In the PERS portfolio, swaption contracts may be bought or sold to gain exposure to or hedge against the effects of fluctuations in interest rates, bond markets, and other market conditions.

In writing a swaption, the OPERF bears the market risk of an unfavorable change in the price of the underlying investment of the written swaption. Exercise of a swaption written by the OPERF could result in the OPERF selling or buying an asset at a price different from the current market value. The risk associated with purchasing a swaption is that the OPERF pays a premium, whether or not the option to enter a swap is exercised. Swaptions may be subject to interest rate risk, liquidity risk, and the risk of the counterparty's ability to perform. The change in fair value of swaption contracts within the PERS portfolio for the year ended June 30, 2013, was negative $2.4 million. The balance of the swaption contracts as of June 30, 2013 (dollars in thousands):

Description	Expiration Date	Contracts	Units	Fair Value
Calls				
Purchased				
30-year RTR	3/14/2014	14,800,000	14,800,000	$ 150
Total calls purchased			14,800,000	150
Written				
5-year RTR	12/12/2013 - 3/20/2017	161,400,000	(161,400,000)	(528)
Total calls written			(161,400,000)	(528)
Puts				
Purchased				
30-year RTP	10/21/2013 - 11/11/2013	26,600,000	26,600,000	-
30-year RTP	9/16/2013	17,000,000	17,000,000	-
10-year RTP	11/21/2013 - 3/16/2017	93,150,000	93,150,000	4,360
British pound sterling	12/15/2015	2,800,000	2,800,000	213
IRO British pound sterling	12/15/2015	6,300,000	6,300,000	479
Total puts purchased			145,850,000	5,052
Written				
10-year RTP	3/16/2017	54,000,000	(54,000,000)	(935)
	12/12/2013 - 3/20/2017	227,600,000	(227,600,000)	(5,180)
IRO Euro	7/1/2014	2,500,000	(2,500,000)	-
Total puts written			(284,100,000)	(6,115)
Total swaption contracts			(284,850,000)	$ (1,441)

Rights and Warrants

Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. Rights are privately transacted in over-the-counter markets. In the PERS portfolio, rights are often obtained and held due to existing investments. Rights are subject to general market risk and liquidity risk.

A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain time period. Warrants are privately transacted in over-the-counter markets. In the PERS portfolio, warrants are often obtained and held due to existing investments. Warrants are subject to general market risk and liquidity risk. The change in fair value from rights and warrants for the year ended June 30, 2013, was $4.3 million.

The fair value of rights and warrants within the PERS portfolio as of June 30, 2013 (dollars in thousands):

Type	Expiration Date	Related Number of Shares	Fair Value
Rights	7/3/2013 - 8/28/2013	1,269,923	$ 210
Warrants	10/1/2013 - 1/19/2021	1,252,166	11,446
Total fair value		2,522,089	$ 11,656

4. RECEIVABLES AND PAYABLES

A. Receivables

The following tables disaggregate receivable balances reported in the fund financial statements as accounts and interest receivable (net) and net contracts, notes, and other receivables. Contracts, notes, and other receivables are not expected to be collected within one year of the date of the financial statements.

Receivables reported for governmental activities at June 30, 2013 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 14,556	$ 183,849	$ 7,335	$ 19,327	$ 6,439	$ 87,461	$ 318,967	$ 73,070
Due from federal government	117	153,860	64,767	34,220	352	155,572	408,888	-
Interest	-	-	424	1,794	1,511	54,472	58,201	423
Broker receivable	-	-	-	-	6,794	-	6,794	-
Notes	-	-	-	100	-	-	100	-
Contracts	-	-	970	244	1,137	-	2,351	-
Mortgages	-	6,953	-	8	-	-	6,961	-
Benefit recoveries	44,582	-	-	-	-	85	44,667	-
Medicaid drug rebate	-	46,019	-	-	-	-	46,019	-
Fines, forfeitures, and penalties	23,124	-	-	-	-	61,333	84,457	-
Court fines and fees	-	-	-	-	-	976,935	976,935	-
Child support recoveries	-	-	-	-	-	290,731	290,731	-
Workers' compensation assessment	-	-	-	-	-	797	797	-
Other	3,850	-	3,536	7,007	-	27,475	41,868	178
Gross receivables	86,229	390,681	77,032	62,700	16,233	1,654,861	2,287,736	73,671
Allowance for doubtful accounts	(32,670)	(6,490)	(305)	(2,215)	(53)	(1,084,330)	(1,126,063)	(569)
Total receivables, net	$ 53,559	$ 384,191	$ 76,727	$ 60,485	$16,180	$ 570,531	$1,161,673	$ 73,102

Receivables reported for business-type activities at June 30, 2013 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 170	$ 23,253	$ 287,072	$ 173,747	$ 29,830	$ 514,072
Due from federal government	-	-	10,424	56,801	1,568	68,793
Interest	5,897	-	-	-	12,288	18,185
Broker receivable	-	-	-	84	-	84
Mortgages	1,394	-	-	-	-	1,394
Loans	-	-	-	17,806	-	17,806
Loans - long-term	-	-	-	57,701	-	57,701
Benefit recoveries	-	-	63,542	-	-	63,542
Other	-	3,029	11,451	-	1,750	16,230
Gross receivables	7,461	26,282	372,489	306,139	45,436	757,807
Allowance for doubtful accounts	(1,394)	(270)	(7,615)	(49,615)	(7,412)	(66,306)
Total receivables, net	$ 6,067	$ 26,012	$ 364,874	$ 256,524	$ 38,024	$ 691,501

Receivables reported for fiduciary funds at June 30, 2013 (in thousands):

	Agency
Fiduciary fund activities	
Restitution	$ 491,245
Other	3,867
Gross receivables	495,112
Allowance for doubtful accounts	(372,980)
Total receivables, net	$ 122,132

B. Payables

The following tables disaggregate payables reported in the fund financial statements as accounts and interest payable and contracts, mortgages, and notes payable.

Payables reported for governmental activities at June 30, 2013 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 205,763	$ 176,105	$ 148,741	$ 27,753	$ 7,256	$ 135,767	$ 701,385	$ 43,429
Interest	-	61	-	-	-	8	69	719
Broker payable	-	-	-	-	26,866	-	26,866	-
Loans	-	111,000	-	-	-	3,000	114,000	-
Pension-related debt	-	-	-	-	-	-	-	20,463
Contracts - retainage	-	-	-	-	-	-	-	199
Total payables	$ 205,763	$ 287,166	$ 148,741	$ 27,753	$ 34,122	$ 138,775	$ 842,320	$ 64,810

Payables reported for business-type activities at June 30, 2013 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 979	$ 14,512	$ 22,025	$ 98,640	$ 28,365	$ 164,521
Interest	23,732	-	-	29,191	5,589	58,512
Broker payable	-	-	-	56	-	56
Loans	1,500	-	-	-	-	1,500
Pension-related debt	617	4,998	-	99,168	32,219	137,002
Contracts - retainage	-	-	-	9,507	-	9,507
Contracts - other	-	1,403	-	3,471	1,251	6,125
Total payables	$ 26,828	$ 20,913	$ 22,025	$ 240,033	$ 67,424	$ 377,223

Payables reported for fiduciary funds at June 30, 2013 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
Fiduciary fund activities			
General accounts	$ 2,444	$ 230	$ 126
Benefits payable	306,739	-	-
Broker payable	3,923,857	-	40,810
Investment fees	29,230	-	-
Compensated absences payable	1,675	-	-
Interest	17	-	-
Mortgages	-	1,874	-
Pension-related debts	3,672	-	-
Total payables	$ 4,267,634	$ 2,104	$ 40,936

5. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and fees for services of MUSL. For fiscal years ended June 30, 2013 and 2012, the Oregon Lottery's share of MUSL's fees was $255.7 thousand and $64.7 thousand, respectively.

MUSL is governed by a board on which each member lottery is represented. Each member lottery has one vote. The board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties, and qualifications. MUSL is subject to annual audits conducted by independent auditors retained by the board. Upon termination of the MUSL's existence, if such termination should occur, the member lotteries would receive any proceeds determined available for distribution by the board.

Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. government securities. The following schedule presents the summarized financial activity of MUSL as of June 30, 2013 and 2012 (in thousands).

	2013	2012
Assets	$ 554,028	$ 583,165
Liabilities	$ 542,004	$ 583,010
Net assets - unrestricted	12,024	155
Total liabilitites and net assets	$ 554,028	$ 583,165
Unrestricted revenues	$ 17,259	$ 4,783
Unrestricted expenses	5,390	4,869
Total change in unrestricted net position	$ 11,869	$ (86)

Separate financial statements for MUSL may be obtained from the Multi-State Lottery Association, Attention: Chuck Strutt, 4400 NW Urbandale Drive, Urbandale, Iowa, 50322.

6. CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the primary government for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 1,782,577	$ 62,517	$ 647	$ 1,844,447
Construction in progress	1,253,065	434,086	401,574	1,285,577
Works of art and other nondepreciable assets	2,032	-	108	1,924
Total capital assets not being depreciated	3,037,674	496,603	402,329	3,131,948
Capital assets being depreciated:				
Buildings, property, and equipment	3,268,266	177,929	33,576	3,412,619
Infrastructure	16,545,150	500,422	468,188	16,577,384
Total capital assets being depreciated	19,813,416	678,351	501,764	19,990,003
Less accumulated depreciation for:				
Buildings, property, and equipment	1,420,200	118,687	26,116	1,512,771
Infrastructure	9,283,655	213,791	468,188	9,029,258
Total accumulated depreciation	10,703,855	332,478	494,304	10,542,029
Total capital assets being depreciated, net	9,109,561	345,873	7,460	9,447,974
Total capital assets, net	$ 12,147,235	$ 842,476	$ 409,789	$ 12,579,922

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 135,147	$ 8,769	$ 1,697	$ 142,219
Construction in progress	320,751	178,621	350,848	148,524
Works of art and other nondepreciable assets	68,678	5,955	3	74,630
Total capital assets not being depreciated	524,576	193,345	352,548	365,373
Capital assets being depreciated:				
Buildings, property, and equipment	4,278,627	416,825	33,319	4,662,133
Infrastructure	103,974	19,673	-	123,647
Total capital assets being depreciated	4,382,601	436,498	33,319	4,785,780
Less accumulated depreciation for:				
Buildings, property, and equipment	1,764,109	156,084	17,841	1,902,352
Infrastructure	52,310	5,220	-	57,530
Total accumulated depreciation	1,816,419	161,304	17,841	1,959,882
Total capital assets being depreciated, net	2,566,182	275,194	15,478	2,825,898
Total capital assets, net	$ 3,090,758	$ 468,539	$ 368,026	$ 3,191,271

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary fund activities				
Capital assets not being depreciated:				
Land	$ 958	$ -	$ -	$ 958
Total capital assets not being depreciated	958	-	-	958
Capital assets being depreciated:				
Buildings, property, and equipment	52,136	526	472	52,190
Total capital assets being depreciated	52,136	526	472	52,190
Less accumulated depreciation for:				
Buildings, property, and equipment	13,120	2,443	472	15,091
Total accumulated depreciation	13,120	2,443	472	15,091
Total capital assets being depreciated, net	39,016	(1,917)	-	37,099
Total capital assets, net	$ 39,974	$ (1,917)	$ -	$ 38,057

Depreciation Expense

Depreciation expense charged to functions of the primary government (in thousands):

Governmental activities	**Amount**
Education	$ 943
Human services	9,477
Public safety	36,168
Economic and community development	1,434
Natural resources	17,316
Transportation	232,961
Consumer and business services	759
Administration	2,333
Legislative	1,446
Judicial	2,685
Subtotal	305,522
Internal service funds	26,956
Total depreciation expense	$ 332,478

Business-type activities	**Amount**
Housing and Community Services	$ 1
Lottery Operations	12,982
University System	136,785
Other business-type activities	11,536
Total depreciation expense	$ 161,304

Fiduciary fund activities:	**Amount**
Pension and Other Employee Benefit Trust	$ 2,443
Total depreciation expense	$ 2,443

Construction Commitments

The State has active construction projects, which will be funded through either general fund appropriations, federal grants, lottery resources, or other funding sources as noted in the schedule below. The State's construction commitments with contractors as of June 30, 2013 (in thousands):

			Remaining Commitment Source of Funds			
Project	**Spent-to-Date**	**Remaining Commitment**	**General**	**Federal**	**Lottery**	**Other**
Military facilities	$ 45,534	$ 7,509	$ 15	$ 4,558	$ -	$ 2,936
Oregon State Hospital facility	383,121	95,837	-	-	-	95,837
Prison construction and upgrades	49,984	4,175	301	-	-	3,874
University building construction and upgrades	457,745	348,412	7,943	1,702	36,496	302,271
Road and bridge construction	740,616	1,007,025	-	407,174	-	599,851
State park facilities	4,885	644	-	246	340	58
Upgrade and maintenance of various facilities	52,744	165,848	41	873	-	164,934
Total Construction Commitments	$ 1,734,629	$ 1,629,450	$ 8,300	$ 414,553	$ 36,836	$ 1,169,761

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices; printing equipment displayed at the Salem print plant; historic documents displayed at the Oregon State Archives; a museum of military artifacts at Camp Withycombe in Clackamas, Oregon; a collection of historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; a collection of wildlife mounts displayed at various Department of Fish and Wildlife locations; and a collection of photographs portraying various Oregon locales displayed at the Oregon Liquor Control Commission headquarters. These assets have not been capitalized because they meet the conditions to qualify as collections that are not subject to capitalization. These conditions are:

1. The collections are held for public exhibition or education in the furtherance of public service, not held for financial gain;
2. The collections are protected, kept unencumbered, cared for, and preserved; and
3. The collections are subject to state agency policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections.

Insurance Recoveries

In the government-wide statement of activities, program revenues include insurance recoveries of the applicable functions (in thousands):

Governmental activities	**Amount**
Public safety	$ 232
Natural resources	2,019
Transportation	1,720
Consumer and Business Services	1
Administration	284
Judicial	17
Total insurance recoveries	$ 4,273

Business-type activities	**Amount**
University System	$ 792
Lottery Operations	34
Other business-type activities	26
Total insurance recoveries	$ 852

Idle Impaired Capital Assets

At fiscal year end, the Department of Corrections' Deer Ridge Correctional Institution, a medium security facility with a carrying value of $108.4 million, and the Oregon State Penitentiary minimum security facility with a carrying value of $1.9 million were temporarily idle due to budget constraints and a delay in the implementation of Ballot Measure 57, the Mandatory Prison Sentences for Three or More Felonies Act.

7. LEASES

A. Operating Leases

The State has entered into various non-cancelable rental agreements that are accounted for as operating leases because the agreements do not meet the criteria to be classified as capital leases. Operating lease payments are chargeable as rent expense and reported in services and supplies. Rental costs for operating leases for the year ended June 30, 2013, were $100.9 million for the primary government.

Future minimum rental payments for operating leases in effect as of June 30, 2013 (in thousands):

Year Ending June 30,	Primary Government
2014	$ 88,842
2015	69,126
2016	54,774
2017	45,394
2018	32,785
2019-2023	96,871
2024-2028	16,788
2029-2033	5,606
2034-2038	2,233
2039-2043	1,434
2044-2048	1,258
2049-2053	1,258
2054-2058	5,632
Total future minimum rental payments	$ 422,001

B. Capital Leases

A capital lease is accounted for similar to a purchase on a long-term contract. The underlying property is capitalized at an amount equal to the present value of the minimum lease payments and a corresponding liability is recorded. The liability for capital leases is reported as obligations under capital lease on the government-wide statement of net position. The expense resulting from the amortization of assets recorded under capital leases is included in depreciation expense.

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2013 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	$ 15,705	$ 737
Less accumulated depreciation	(11,457)	(222)
Total	$ 4,248	$ 515

Future minimum lease payments for capital leases and the related net present value as of June 30, 2013 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2014	$ 2,119	$ 123
2015	1,108	123
2016	16	120
2017	5	110
2018	-	92
2019-2023	-	144
Total future minimum lease payments	3,248	712
Less amounts representing interest	(459)	(152)
Present value of minimum lease payments	$ 2,789	$ 560

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2013, the State received rental income of $12.3 million on leased assets with a carrying value of $62.4 million, net of $19.3 million in accumulated depreciation.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2013 (in thousands):

Year Ending June 30,	Primary Government
2014	$ 11,728
2015	7,202
2016	6,073
2017	5,097
2018	4,082
2019-2023	15,326
2024-2028	16,080
2029-2033	17,827
2034-2038	19,846
2039-2043	22,149
2044-2048	10,965
2049-2053	3,326
2054-2058	3,367
Total future minimum lease revenues	$ 143,068

8. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 gives the Oregon University System (OUS) authority to use the interest, income, dividends, or profits from donor-restricted endowments for the benefit of the designated institution. The OUS board's current spending policy calls for the annual distribution of 4 percent of the preceding 20-quarter moving average of the market value of the endowment funds. For the year ended June 30, 2013, the amount of net appreciation available for authorization for expenditure was $18.8 million. The amount available for distribution during fiscal year 2014 is estimated to be $2.5 million. The corpus of the endowment funds is reported as nonexpendable net position restricted for donor purposes on the proprietary funds balance sheet and the government-wide statement of net position. Expendable endowment funds are reported as part of expendable net position restricted for education.

9. SHORT AND LONG-TERM DEBT

A. Short Term Debt

During the year, the State repaid the tax anticipation notes that were issued in July 2012, to meet seasonal cash management needs within fiscal year 2013. In addition, the Oregon Health Authority and the Oregon Military Department made loans from the Oregon Short-Term Fund to cover end of biennium cash flow needs.

Short-term debt activity for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Tax anticipation notes	$ -	$ 650,760	$ 650,760	$ -
Military treasury loan	-	3,000	-	3,000
Health Authority treasury loan	-	215,000	104,000	111,000
Total short-term debt activity	$ -	$ 868,760	$ 754,760	$ 114,000

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for a variety of projects as authorized by the Oregon Constitution. General obligation bonds are secured by a pledge of the full faith, credit, and taxing power of the State.

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Obligations issued for highway construction pursuant to Article XI, Section 7, are fully self-supporting. Article XI-H authorizes the financing of pollution abatement and control facilities, as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 percent self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds. Article XI-M provides authorization to finance seismic rehabilitation projects for public education buildings and XI-N for emergency services buildings. Article XI-Q provides authorization to finance real or personal property projects to be owned or operated by the state.

The Oregon Constitution also authorizes general obligation debt to be used for business-type activities. Article XI-A authorizes the creation of the Oregon War Veterans' Fund to finance farm and home loans for eligible veterans. Financing of multi-family housing for elderly and disabled persons is authorized in Article XI-I (2). Article XI-J provides authorization to finance loans for the development of small-scale local energy projects. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1). The preceding bonds of business-type activities are fully self-supporting. Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund.

Debt service requirements for general obligation bonds as of June 30, 2013 (in thousands):

	Governmental Activities		Business-type Activities		Fiduciary Fund Activities	
Year ending June 30,	Principal [1]	Interest	Principal [2]	Interest	Principal	Interest
2014	$ 118,240	$ 162,097	$ 74,664	$ 97,230	$ 545	$ 105
2015	122,671	156,809	83,156	92,457	565	88
2016	135,726	150,913	85,141	90,618	585	60
2017	145,881	144,253	83,635	89,182	615	31
2018	159,202	136,563	85,252	84,055	-	-
2019-2023	1,007,929	543,880	457,005	342,377	-	-
2024-2028	1,121,767	218,322	458,705	231,902	-	-
2029-2033	165,012	35,600	393,685	135,976	-	-
2034-2038	71,775	6,837	313,955	60,507	-	-
2039-2043	-	-	139,845	7,884	-	-
2044-2048	-	-	7,935	137	-	-
Total	$ 3,048,203	$ 1,555,274	$ 2,182,978	$ 1,232,325	$ 2,310	$ 284

[1] Includes $1,944 million in pension bond debt.

[2] Includes a total of $170.2 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent. The interest rates at the end of the fiscal year were 0.06 percent for $165.4 million of these bonds and 0.09 percent for $4.8 million.

C. Revenue Bonds

Oregon Revised Statutes (ORS) authorize the State to issue revenue bonds. Revenue bonds are secured by a pledge of revenues derived from the operation of the programs funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

ORS 286A.560 through 286A.585, 327.700 through 327.711, and 348.716 authorize the State to issue revenue bonds that are supported by unobligated net lottery proceeds. To date, lottery revenue bonds have been issued for infrastructure improvements, state parks, expansion and refurbishment of school facilities, light rail transportation, improvements to state fair facilities, acquisition of state forestland, watershed project grants, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for both governmental and business-type activities.

ORS 367.605 through 367.665 authorize the Oregon Department of Transportation to issue highway user tax bonds for governmental activities to build and maintain public roads. Debt service payments for these bonds are funded by highway user taxes and vehicle registration fees.

ORS 456.645 authorizes the Oregon Housing and Community Services Department to issue revenue bonds for financing single-family mortgage loans and multi-family housing projects. Mortgage payments and fees and rental revenues support these bonds. ORS 285B.467 through 285B.482 authorize the Oregon Business Development Department to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund, while ORS 285B.572 through 285B.599 authorize the issuance of revenue bonds for financing water projects through the Water Fund. Loan repayments support the bonds associated with these business-type activities.

Debt service requirements for revenue bonds as of June 30, 2013 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal [1]	Interest	Principal [2,3]	Interest
2014	$ 126,431	$ 135,942	$ 21,134	$ 45,565
2015	128,369	129,684	42,242	46,312
2016	116,948	124,979	44,037	45,105
2017	121,068	119,988	45,777	43,764
2018	125,657	115,127	46,727	42,266
2019-2023	678,975	502,203	275,850	183,477
2024-2028	800,078	354,540	316,517	121,861
2029-2033	711,694	172,549	336,571	63,223
2034-2038	283,640	16,611	235,280	26,141
2039-2043	-	-	79,180	7,639
2044-2048	-	-	8,585	1,104
2049-2053	-	-	2,165	272
Total	$ 3,092,860	$ 1,671,623	$ 1,454,065	$ 626,729

[1] Includes a total of $265.3 million of bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent. The interest rate at the end of the fiscal year was 0.52 percent.

[2] Includes bonds with variable interest rates adjusted monthly based on the London Interbank Offered Rate (LIBOR) plus 0.4 percent not to exceed 11 percent for $930 thousand of the bonds and LIBOR plus 0.4 percent not to exceed 11.5 percent for $1.5 million. The interest rate at the end of the fiscal year for these bonds was 0.6 percent.

[3] Includes bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 0.06 percent for $16.1 million of these bonds, 0.07 percent for $64.9 million, 0.09 percent for $40.5 million, 0.10 percent for $129 million, and 0.12 percent for $69.7 million.

D. Certificates of Participation

ORS 283.085 through 283.092 authorize the State to enter into financing agreements through the issuance of certificates of participation. The State has issued certificates of participation to provide funds for the acquisition of computer and telecommunication systems, and the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for governmental and business-type activities.

Debt service requirements for certificates of participation as of June 30, 2013 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal	Interest
2014	$ 70,652	$ 31,655	$ 6,748	$ 3,679
2015	65,887	28,493	5,533	3,368
2016	51,807	25,604	4,938	3,124
2017	44,546	23,441	4,774	2,900
2018	46,826	23,166	4,594	2,705
2019-2023	148,090	84,893	19,445	10,909
2024-2028	96,025	53,697	22,810	6,198
2029-2033	98,230	29,641	10,460	1,593
2034-2038	46,305	5,799	2,965	180
2039-2043	3,570	187	-	-
Total	$ 671,938	$ 306,576	$ 82,267	$ 34,656

E. General Appropriation Bonds

During the 2003 legislative session, Senate Bill 856 authorized the State to issue general appropriation bonds. The State has issued general appropriation bonds for general government activities.

Debt service requirements for general appropriation bonds as of June 30, 2013 (in thousands):

	Governmental Activities	
Year ending June 30,	Principal	Interest
2014	$ 28,195	$ 696
Total	$ 28,195	$ 696

F. Changes in Long-Term Debt

Changes in long-term debt for governmental activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,900,201	$ 239,212	$ 91,210	$ 3,048,203	$ 118,240
Revenue bonds	3,164,311	113,301	184,752	3,092,860	126,431
Certificates of participation	950,857	-	278,919	671,938	70,652
General appropriation bonds	98,095	-	69,900	28,195	28,195
Less deferred amounts:					
For issuance discounts	(2,768)	-	(345)	(2,423)	-
For issuance premiums	242,486	53,349	37,186	258,649	-
On refunding	(56,405)	(25,348)	(20,603)	(61,150)	-
Total bonds/certificates payable	$ 7,296,777	$ 380,514	$ 641,019	$ 7,036,272	$ 343,518

Changes in long-term debt for business-type activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,201,002	$ 319,768	$ 337,792	$ 2,182,978	$ 74,664
Revenue bonds	1,440,320	263,994	250,249	1,454,065	21,134
Certificates of participation	96,308	-	14,041	82,267	6,748
Less deferred amounts:					
For issuance discounts	(1,109)	-	(318)	(791)	-
For issuance premiums	76,732	41,451	17,190	100,993	-
On refunding	(25,534)	(24,477)	(5,224)	(44,787)	-
Accreted interest	53,064	4,383	11,288	46,159	-
Total bonds/certificates payable	$ 3,840,783	$ 605,119	$ 625,018	$ 3,820,884	$ 102,546

Changes in long-term debt for fiduciary fund activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,845	$ -	$ 535	$ 2,310	$ 545
Less deferred amounts:					
For issuance premiums	303	-	62	241	-
On refunding	(76)	-	(15)	(61)	-
Total bonds/certificates payable	$ 3,072	$ -	$ 582	$ 2,490	$ 545

G. Demand Bonds

Oregon Department of Veterans' Affairs

Included in long-term debt are the following State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, along with selected terms of their standby bond purchase agreements (SBPAs) at June 30, 2013 (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
73H	$ 4,800	Bayerische Landesbank[1]	11/30/2015	0.0850%	JP Morgan Securities Inc.	0.05%
83	10,965	Bank of Tokyo-Mitsubishi UFJ, Ltd.	10/6/2014	0.4250%	JP Morgan Securities Inc.	0.05%
84	30,000	Bank of Tokyo-Mitsubishi UFJ, Ltd.	10/6/2014	0.4250%	JP Morgan Securities Inc.	0.05%
85	15,140	U.S Bank National Association	4/4/2014	0.4500%	JP Morgan Securities Inc.	0.07%
86	31,320	U.S Bank National Association	4/4/2014	0.4500%	JP Morgan Securities Inc.	0.07%
87C	9,045	U.S Bank National Association	4/4/2014	0.4500%	JP Morgan Securities Inc.	0.07%
88B	30,000	U.S Bank National Association	4/4/2014	0.4500%	JP Morgan Securities Inc.	0.07%
90B	38,885	Bank of Tokyo-Mitsubishi UFJ, Ltd.	10/6/2014	0.4250%	JP Morgan Securities Inc.	0.07%

[1] Bayerische Landesbank has the option to terminate its purchase commitment obligations, at its sole discretion, as of June 25, 2014.

These bonds are general obligations of the State and are payable from revenues and reserves of the Veterans' Loan program. The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest.

The Oregon Department of Veterans' Affairs (DVA) remarketing agent is authorized to use its best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a daily or weekly basis based on the applicable mode. The designated remarketing agent for such bonds will determine the interest rate borne by each series of bonds. DVA pays its designated remarketing agent a fee for this service.

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPA for Series 73H, Bayerische Landesbank Girozentrale will commit to purchase any Series 73H unremarketed bonds, subject to certain conditions. Under the SBPA for Series 83, 84, and 90B, the Bank of Tokyo-Mitsubishi UFJ, Ltd. will commit to purchase any Series 83, 84, or 90B unremarketed bonds, subject to certain conditions. Under the SBPA for Series 85, 86, 87C, and 88B, U.S. Bank National Association, will commit to purchase any Series 85, 86, 87C, or 88B unremarketed bonds, subject to certain conditions.

If a tender advance does occur under the Series 73H SBPA, it will accrue interest at the bank's base rate (either a prime lending rate or the federal funds rate plus 0.5 percent, whichever is higher). If the tender advance is in default, interest will accrue at the bank's base rate plus 1 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid in approximately two years, although they can be repaid earlier if DVA elects to do so. If repayment of any tender advance does not occur within the timeframe specified in the Series 73H SBPA, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 73H SBPAs for fiscal year 2013. Therefore, no tender advances or draws were outstanding at June 30, 2013.

If a tender advance does occur under the Series 83, 84, and 90B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, or the federal funds rate plus 2 percent, or 7.5 percent, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 0.5 percent for the time period covering 31 days up to 60 days; and at the bank's base rate plus 1 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 2 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate, or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advances must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 83, 84, and 90B SBPA, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 83, 84, and 90B SBPA for fiscal year 2013. Therefore, no tender advances or draws were outstanding as of June 30, 2013.

If a tender advance does occur under the Series 85-88B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, the federal funds rate plus 2 percent, the Securities Industry and Financial Markets Association (SIFMA) rate plus 1 percent or 7 percent for the time period 31 days after the purchase date and thereafter, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 1 percent for the time period covering 31 days up to 90 days; and at the bank's base rate plus 1.5 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 3 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 85-88B SBPAs, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 85-88B SBPA for fiscal year 2013. Therefore, no tender advances or draws were outstanding as of June 30, 2013.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCSD) long-term debt is $320.1 million in variable rate demand bonds. OHCSD's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the official statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCSD has entered into standby bond purchase agreements (SBPAs) to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The SBPAs requires the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date, the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the SBPAs. The maximum rate is 12 percent (Bank of America, N.A., State Street Bank and Trust Company, and JPMorgan Chase Bank, N.A.). The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least ninety days after the related purchase date (Bank of America, N.A. and JPMorgan Chase Bank, N.A.). There were no bank bonds on June 30, 2013.

Certain terms of the standby purchase agreements and remarketing agreements are listed below (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF 2004 B	$ 13,925	Bank of America, N.A.	8/27/2014	0.8000%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2003 L	15,000	State Street Bank and Trust Company	11/1/2014	0.8000%	J.P. Morgan Securities, Inc.	0.07%
MRB 2004 C	15,000	State Street Bank and Trust Company	11/1/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2004 I	15,000	State Street Bank and Trust Company	11/1/2014	0.8000%	J.P. Morgan Securities, Inc.	0.07%
MRB 2004 L	15,000	State Street Bank and Trust Company	11/1/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2005 C	10,500	State Street Bank and Trust Company	11/1/2014	0.8000%	J.P. Morgan Securities, Inc.	0.07%
MRB 2005 F	14,885	State Street Bank and Trust Company	11/1/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 C	20,000	State Street Bank and Trust Company	11/1/2014	0.8000%	J.P. Morgan Securities, Inc.	0.07%
MRB 2006 F	20,000	State Street Bank and Trust Company	11/1/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 G	16,105	State Street Bank and Trust Company	11/1/2014	0.8000%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 E	30,000	JPMorgan Chase Bank, NA	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2007 H	30,000	JPMorgan Chase Bank, NA	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 C	35,000	JPMorgan Chase Bank, NA	12/31/2014	0.8500%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 F	35,000	JPMorgan Chase Bank, NA	12/31/2014	0.8500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2008 I	34,650	JPMorgan Chase Bank, NA	12/31/2014	0.8500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%

H. No-Commitment Debt

No-commitment debt refers to debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State. The State has no obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements.

No-commitment debt as of June 30, 2013 (in thousands):

Primary Government	Amount
Oregon Business Development Department	$ 381,125
Oregon Facilities Authority	1,595,876
Housing and Community Services Department	229,129
Total No-Commitment Debt	$ 2,206,130

I. Debt Refundings

Occasionally, the State issues new long-term debt to extinguish the obligation of previously issued bonds or certificates of participation in order to take advantage of lower interest rates. In instances of advanced refunding, the money from the sale of new debt is placed in an irrevocable trust to provide for all future debt service payments on the old debt. The amount of these issuances has provided funds to pay the interest and principal when due on the refunded debt to and including the dates irrevocably fixed for redemption. The trust account assets and liabilities for the defeased debt are not included in the accompanying financial statements.

Current/advance refunding issues that occurred between July 1, 2012, and June 30, 2013:

On October 31, 2012, the Oregon Department Housing and Community Services issued $36.8 million in 2012 Series A and B Revenue Bonds with an average interest rate of 3.7 percent. These bonds refunded $36.8 million of various outstanding series revenue bonds with an average interest rate of 5.3 percent. The current refunding was undertaken to reduce the total debt service payments over the next 30 years by $7.2 million and resulted in an economic gain of $6.5 million.

On February 13, 2013, the Oregon University System issued $266.1 million in 2013 Series A, B, C, and D General Obligation Bonds with an average interest rate of 3.2 percent. These bonds refunded $249.5 million of various outstanding series general obligation bonds with an average interest rate of 5.1 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 23 years by $34.1 million and resulted in an economic gain of $26.9 million.

On February 21, 2013, Oregon Department of Administrative Services (DAS) issued $85.7 million in 2013 Series F General Obligation Bonds with an average interest rate of 5 percent. These bonds refunded $92.5 million of various series of Certificates of Participation with an average interest rate of 4.8 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 19 years by $10.9 million and resulted in an economic gain of $8.4 million.

On February 21, 2013, DAS issued $98.8 million in 2013 Series G General Obligation Bonds with an average interest rate of 4.9 percent. The bonds were issued to refund $104.6 million of outstanding 2006 Series A Certificates of Participation with an average interest rate of 4.9 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 19 years by $11.6 million and resulted in an economic gain of $9.1 million.

On February 21, 2013, DAS issued $5.1 million in 2013 Series H General Obligation Bonds with an average interest rate of 2.4 percent. The bonds were issued to refund $4.7 million of outstanding 2004 Series C Certificates of Participation with an average interest rate of 4.2 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 13 years by $358.3 thousand and resulted in an economic gain of $314.6 thousand.

On April 16, 2013, DAS issued $71.1 million in 2013 Series C Lottery Revenue Bonds with an average interest rate of 1.6 percent. These bonds refunded $67.6 million of various outstanding series lottery revenue bonds with an average interest rate of 5.1 percent. The $6.4 million current refunding and the $61.3 million advanced refunding was undertaken to reduce the total debt service payments over the next 10 years by $6.4 million and resulted in an economic gain of $6.2 million.

On May 30, 2013, the Oregon Department of Environmental Quality issued $2 million in 2013 Series K General Obligation Bonds with an average interest rate of 1.7 percent. These bonds refunded $2.4 million of outstanding 2003 Series A General Obligation Bonds with an average interest rate of 3.5 percent. The current refunding was undertaken to reduce the total debt service payments over the next 9 years by $280.3 thousand and resulted in an economic gain of $273.1 thousand.

On June 12, 2013, the Oregon Department of Housing and Community Services issued $112.3 million in 2013 Series A, B, and C Revenue Bonds with an average interest rate of 3 percent. These bonds refunded $98.1 million of various outstanding series revenue bonds with an average interest rate of 4.9 percent. The current refunding was undertaken to reduce the total debt service payments over the next 20 years by $22.1 million and resulted in an economic gain of $20.7 million.

J. Defeased Debt

The State has defeased certain general obligation and revenue bonds, as well as certificates of participations, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for defeased bonds is not included in the State's financial statements. On June 30, 2013, $1.2 billion of bonds outstanding are considered defeased.

10. OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for governmental activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	$ 174,991	$ 4,802	$ 1,537	$ 178,256	$ 115,868
Claims and judgments payable	1,035,905	275,107	123,575	1,187,437	120,182
Arbitrage rebate payable	1,280	1,275	1,280	1,275	755
Custodial liabilities	229,363	376,512	352,547	253,328	250,037
Contracts, mortgages, and notes payable	54,707	469,835	39,539	485,003	125,950
Obligations under capital lease	8,489	-	5,700	2,789	1,827
Pollution remediation obligation	10,662	1,999	126	12,535	2,973
Net OPEB obligation	43,119	6,725	6	49,838	-
Total other long-term liabilities	$ 1,558,516	$ 1,136,255	$ 524,310	$ 2,170,461	$ 617,592

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included as part of the totals for governmental activities. The compensated absences liability is mainly liquidated through the General Fund, Health and Social Services Fund, and the Public Transportation Fund. The claims and judgments liability is generally liquidated through the Employment Services Fund and the Central Services Fund, an internal service fund. The arbitrage rebate liability is generally liquidated through the Revenue Bond Fund. The custodial liabilities are expected to be liquidated by the Common School Fund and the Health and Social Services Fund. The liability for contracts, mortgages, and notes is generally liquidated through the General Fund, the Health and Social Services Fund and the Public Transportation Fund. The capital lease obligations are generally liquidated through the Central Services Fund. The pollution remediation obligation will be mainly liquidated through the Environmental Management Fund and the Public Transportation Fund. The net OPEB obligation is currently unfunded.

Changes in other long-term liabilities for business-type activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	$ 67,191	$ 10,243	$ 8,551	$ 68,883	$ 50,349
Claims and judgments payable	13,959	19,910	5,102	28,767	18,090
Lottery prize awards payable	154,361	259,290	253,593	160,058	32,498
Arbitrage rebate payable	16,465	2,497	235	18,727	330
Custodial liabilities	43,543	51,628	24,335	70,836	58,928
Contracts, mortgages, and notes payable	36,957	141,328	24,150	154,135	15,593
Contracts payable to component unit	1,234	-	1,234	-	-
Obligations under capital lease	556	76	72	560	79
Net OPEB obligation	21,026	3,700	-	24,726	-
Derivative instruments liability	40,244	-	10,443	29,801	-
Total other long-term liabilities	$ 395,536	$ 488,672	$ 327,715	$ 556,493	$ 175,867

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	$ 1,875,149	$ 8,033,463	$ 7,905,479	$ 2,003,133	$ 2,002,753
Contracts, mortgages, and notes payable	2,041	3,672	167	5,546	84
Net OPEB obligation	447	70	-	517	-
Total other long-term liabilities	$ 1,877,637	$ 8,037,205	$ 7,905,646	$ 2,009,196	$ 2,002,837

11. POLLUTION REMEDIATION OBLIGATION

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Excluded from pollution remediation obligations are obligations for pollution prevention and control activities, fines and penalties, landfill closure and postclosure care, and other future remediation activities required upon retirement of an asset.

The State recognizes a pollution remediation obligation when it can reasonably estimate the range of expected cash outlays. At June 30, 2013, the State recognized an estimated liability of $12.6 million for pollution remediation activities. The liability, which is reported in the government-wide statement of net position, was recorded at the current value of the costs the State expects to incur to perform the work.

For many projects, the State can reasonably estimate the range of expected outlays early in the process, using the State's remediation history for similar sites as the basis for the calculations. In other cases, the

estimated liability is based on the amount specified in a contract for remediation services or the estimate of the cleanup costs provided by an environmental consulting firm. Expected recoveries from responsible parties or potentially responsible parties and insurance recoveries are included in the estimates and reduce the State's expense. No material expected recoveries were included in the measurement of the State's pollution remediation obligation at June 30, 2013.

When new information indicates changes in expected outlays, the liability for pollution remediation is adjusted. Adjustments may occur due to price fluctuations resulting from delays in contracting specific remediation jobs, changes in technology, changes in legal or regulatory requirements, and changes in the remediation plan or operating conditions.

Currently, the Oregon Department of Environmental Quality (DEQ), as a government responsible for sharing costs under federal law, is obligated to clean up two Superfund sites. Both sites are contaminated with chemicals used in the wood-treatment industry. Contamination was found in the soil, groundwater, and sediments of adjacent rivers. The Oregon Department of Transportation (ODOT) also performs ongoing pollution remediation. For example, to facilitate the agency's transportation goals, ODOT voluntarily conducts the cleanup of contaminated soil and ground water found within the footprint of a construction project and removes lead-based paint when performing bridge repairs. In other cases, DEQ has named ODOT as a responsible party or potentially responsible party, or ODOT has entered the contaminated site into the DEQ's Voluntary Cleanup Program as the responsible party.

As of June 30, 2013, the State is involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of contamination in the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. It is too early in the Environmental Protection Agency's remedial action process to estimate the total cleanup costs that may be shared by the liable parties and what portion of that, if any, will be assessed against the State. The Portland Harbor Superfund site is discussed in more detail in Note 23.

12. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay $1.2 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for revenues used for payment of prizes and expenses of the Lottery. Proceeds from lottery revenue bonds provide financing for economic development within the state, as well as for the improvement and expansion of state parks and school facilities. The bonds are payable solely from the pledged revenues and are payable through 2033. Total principal and interest remaining to be paid on the bonds is $1.7 billion. In fiscal year 2014, principal and interest payments on the bonds are expected to require approximately 24.5 percent of unobligated net lottery proceeds. Principal and interest paid for the current year and total unobligated net lottery proceeds recognized were $128.6 million and $549.4 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to counties, to repay $2.1 billion of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation, and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2034. Total principal and interest remaining to be paid on the bonds is $3.3 billion. Fiscal year 2014 principal and interest payments on the bonds are expected to require approximately 27.7 percent of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were $147.9 million and $556 million, respectively.

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13. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2013 (in thousands):

	Due from Other Funds				
Due to Other Funds	**General**	**Health and Social Services**	**Public Transportation**	**Environmental Management**	**Common School**
General	$ -	$ 3,257	$ 1	$ 5,754	$ 11
Health and Social Services	28,018	-	-	158	-
Public Transportation	179	-	-	14,615	44
Environmental Management	2,070	-	4,004	-	376
Common School	-	-	-	2,684	-
Nonmajor Governmental Funds	13,293	17,799	7,520	84	-
Lottery Operations	144,883	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Nonmajor Enterprise Funds	48,695	769	-	1,355	-
Internal Service Funds	3	-	-	-	-
Fiduciary Funds	-	-	-	-	-
Total	$237,141	$ 21,825	$ 11,525	$ 24,650	$ 431

	Advances to Other Funds			
Advances from Other Funds	**Common School**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
General	$ -	$ -	$ 616	$ 616
Environmental Management	300	-	-	300
Nonmajor Governmental Funds	-	67	-	67
University System	-	108,201	-	108,201
Internal Service Funds	-	152	-	152
Total	$ 300	$ 108,420	$ 616	$ 109,336

Interfund balances result from the time lag between the date a transaction for interfund goods and services or reimbursable expenditures/expenses is recorded and the date the payment between funds is made. Advances to and from other funds are not expected to be repaid within one year.

Due from Other Funds (continued)

Nonmajor Governmental Funds	Housing and Community Services	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
$ 122,997	$ 3	$ 12,927	$ 31,902	$ 1,063	$ -	$ 177,915
1,877	-	-	613	-	-	30,666
3,540	-	-	-	-	-	18,378
1,063	-	80	-	13	-	7,606
-	-	-	-	-	-	2,684
13,249	76	1,250	50	2,809	-	56,130
-	-	-	-	-	-	144,883
840	-	-	-	-	-	840
6	-	-	72	-	263	51,160
423	-	-	50	-	-	476
-	-	-	-	-	6,084	6,084
$ 143,995	$ 79	$ 14,257	$ 32,687	$ 3,885	$ 6,347	$ 496,822

Interfund transfers reported in the fund financial statements as of June 30, 2013 (in thousands):

	Transfers from Other Funds				
Transfers to Other Funds	General	Health and Social Services	Public Transportation	Environmental Management	Common School
General	$ -	$ 80,007	$ 920	$ 58,359	$ 59
Health and Social Services	22,136	-	-	760	-
Public Transportation	5,759	-	-	29,607	-
Environmental Management	41,370	191	407	-	2,318
Common School	53,101	-	-	6,729	-
Nonmajor Governmental Funds	547,449	71,171	38,044	1,291	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	549,352	-	-	-	-
Unemployment Compensation	-	-	-	-	-
University System	71	-	-	-	-
Nonmajor Enterprise Funds	140,473	8,051	-	330	-
Internal Service Funds	3,300	5,500	-	829	-
Total	$ 1,363,011	$ 164,920	$ 39,371	$ 97,905	$ 2,377

[1] In the fund financial statements, total transfers to other funds of $3,676,590 exceed total transfers from other funds of $3,676,355 due to the transfer of long-term liabilities from general governmental activities to the Health Services Fund, an internal service fund.

Transfers are used to move (1) revenues collected by one fund to the fund authorized by statute or the State's budget to expend them, (2) receipts restricted to debt service or capital construction to the appropriate funds, and (3) unrestricted revenues collected by the General Fund for various programs accounted for in other funds according to State budget requirements.

Transfers from Other Funds (continued)

Nonmajor Governmental Funds	Unemployment Compensation	University System	Nonmajor Enterprise Funds	Internal Service Funds	Subtotal	[1]See note below	Total
$ 600,767	$ -	$ 359,979	$ 253,171	$ -	$ 1,353,262	$ -	$ 1,353,262
124,400	-	-	9,211	6,039	162,546	-	162,546
235,933	-	20	-	-	271,319	-	271,319
21,008	-	1,185	-	47	66,526	-	66,526
277	-	-	-	-	60,107	-	60,107
88,425	4	7,939	10,034	1,243	765,600	-	765,600
164	-	-	-	-	164	-	164
1,507	-	-	-	-	550,859	-	550,859
10,329	-	-	-	-	10,329	-	10,329
35,556	-	-	-	-	35,627	-	35,627
11,106	-	-	14,292	2,429	176,681	-	176,681
12,245	-	9,944	210	191,307	223,335	235	223,570
$ 1,141,717	$ 4	$ 379,067	$ 286,918	$ 201,065	$ 3,676,355	$ 235	$ 3,676,590

14. SEGMENT INFORMATION

Oregon Revised Statutes (ORS) 285B.410 through 285B.482 create the Special Public Works Fund and authorize the Oregon Business Development Department (OBDD) to issue revenue bonds to finance loans to municipalities for infrastructure projects. ORS 285B.560 through 285B.599 establish the Water/Wastewater Financing Fund and authorize OBDD to issue revenue bonds to finance loans to municipalities for safe drinking water projects and waste water system improvement projects. Loan repayments are pledged to repay the outstanding bonds.

ORS 456.645 authorizes the Oregon Housing and Community Services Department (OHCSD) to issue revenue bonds to finance single-family mortgage loans and multi-family housing projects. Article XI-I (2) of the Oregon Constitution authorizes OHCSD to finance multi-family housing for elderly and disabled persons. Mortgage payments and fees and rental revenues support these bonds.

Summary financial information for the Special Public Works Fund, the Water/Wastewater Financing Fund, and OHCSD's various bond funds for the year ended June 30, 2013 (in thousands):

Condensed statement of net position	**Special Public Works Fund**	**Water/ Wastewater Financing Fund**	**Mortgage Revenue Bonds**	**Housing Revenue Bonds**
Assets:				
Interfund receivables	$ 50	$ -	$ -	$ 203
Other current assets	92,077	32,467	27,442	7,561
Noncurrent assets	195,158	88,136	899,780	182,508
Total assets	287,285	120,603	927,222	190,272
Deferred outflows:				
Accumulated decrease in fair value of hedging derivatives	-	-	26,519	-
Total deferred outflows	-	-	26,519	-
Liabilities:				
Due to other funds	2	-	214	4
Current liabilities	9,392	5,082	20,515	6,997
Noncurrent liabilities	58,756	33,470	843,486	180,878
Total liabilities	68,150	38,552	864,215	187,879
Net position:				
Restricted	1,497	893	89,526	2,393
Unrestricted	217,638	81,158	-	-
Total net position	$ 219,135	$ 82,051	$ 89,526	$ 2,393

Condensed statement of revenues, expenses, and changes in net position	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Operating activities:				
Loan interest income	$ 8,086	$ 3,774	$ 36,278	$ 5,808
Other operating revenue	-	-	931	-
Amortization	-	-	(358)	(75)
Other operating expenses	(6,033)	(3,603)	(36,901)	(6,877)
Operating income (loss)	2,053	171	(50)	(1,144)
Total nonoperating revenues (expenses)	409	132	(74)	(223)
Transfers from other funds	10,000	11,000	1,900	783
Transfers to other funds	(11,472)	(3,530)	(2,989)	-
Change in net position	990	7,773	(1,213)	(584)
Beginning net position (as restated)	218,145	74,278	90,739	2,977
Ending net position	$ 219,135	$ 82,051	$ 89,526	$ 2,393

Condensed statement of cash flows	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Net cash provided (used) by:				
Operating activities	$ 20,943	$ 11,858	$ 207,399	$ (29,877)
Noncapital financing activities	(18,935)	1,748	(94,951)	(4,487)
Investing activities	421	137	(123,185)	25,033
Net increase (decrease)	2,429	13,743	(10,737)	(9,331)
Beginning cash and cash equivalents	81,600	16,372	32,509	13,162
Ending cash and cash equivalents	$ 84,029	$ 30,115	$ 21,772	$ 3,831

Condensed statement of net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Assets:			
Current assets	$ 8,021	$ 911	$ 10,866
Noncurrent assets	174,358	5,694	185,178
Total assets	182,379	6,605	196,044
Deferred outflows:			
Accumulated decrease in fair value of hedging derivatives	1,031	-	-
Total deferred outflows	1,031	-	-
Liabilities:			
Interfund payables	4	-	4
Other current liabilities	7,476	900	10,473
Noncurrent liabilities	151,092	959	114,407
Total liabilities	158,572	1,859	124,884
Net position:			
Restricted	24,838	4,746	71,160
Total net position	$ 24,838	$ 4,746	$ 71,160

Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Operating activities:			
Loan interest income	$ 8,865	$ (1,221)	$ 9,365
Other operating revenue	388	9	1,228
Depreciation and amortization	(113)	(5)	(90)
Other operating expenses	(7,325)	(194)	(7,833)
Operating income (loss)	1,815	(1,411)	2,670
Total nonoperating revenues (expenses)	(807)	65	(471)
Transfers from other funds	780	-	-
Transfers to other funds	(1,500)	(1,655)	(108)
Change in net position	288	(3,001)	2,091
Beginning net position (as restated)	24,550	7,747	69,069
Ending net position	$ 24,838	$ 4,746	$ 71,160

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:			
Operating activities	$ 11,800	$ 1,518	$ 15,084
Noncapital financing activities	(12,226)	(3,546)	(11,583)
Investing activities	(1,265)	1,751	910
Net increase (decrease)	(1,691)	(277)	4,411
Beginning cash and cash equivalents	3,103	609	28,070
Ending cash and cash equivalents	$ 1,412	$ 332	$ 32,481

15. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

Public Employees Retirement System

The Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for units of State government, school districts, community colleges, and political subdivisions. PERS is administered under the Oregon Revised Statutes (ORS) Chapters 238 and 238A and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board. Plan assets of the defined benefit, defined contribution, postemployment healthcare, and deferred compensation plans may legally be used to pay benefits only to the plan members or plan beneficiaries for whom the assets were accumulated. The PERS defined benefit plans provide pension benefits, death benefits, disability benefits, and postemployment healthcare benefits.

PERS features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. Participation in the PERS cost-sharing multiple-employer plan is mandatory for state agencies that comprise the primary government, as well as community colleges and school districts. PERS is an agent multiple-employer plan for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2013, PERS had 911 employer members consisting of:

State agencies	113
Community colleges	17
School districts	294
Political subdivisions	487

In 1995, the Oregon Legislature passed a bill that created a second tier of benefits for those employees who established membership on or after January 1, 1996. The second tier does not enjoy the Tier One assumed earnings rate guarantee and sets the normal retirement age at 60, compared to 58 for Tier One. As of June 30, 2013, there were 39,554 active and 19,160 inactive members for a total of 58,714 PERS Tier One plan members and 45,190 active and 16,889 inactive members for a total of 62,079 PERS Tier Two plan members.

In 2003, the Oregon Legislature enacted a bill that created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of a defined benefit pension program and the defined contribution Individual Account Program (IAP). OPSRP is part of PERS and is administered by the PERS Board. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2013, there were 78,515 active and 8,770 inactive members for a total of 87,285 OPSRP members.

Beginning January 1, 2004, active PERS Tier One and Tier Two plan members became members of the IAP. The Tier One and Tier Two plan members retain their existing PERS accounts; however, member contributions are now deposited into the members' IAP accounts.

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information that may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

Optional Plans

The 1995 Oregon Legislature enacted legislation that authorized the Oregon University System (OUS) to offer a defined contribution retirement plan as an alternative to PERS. Effective April 1, 1996, OUS established the Optional Retirement Plan (ORP), which was made available to OUS unclassified faculty and staff who are eligible for PERS membership. The ORP consists of three tiers. Membership in ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership in OPSRP.

In addition to PERS and ORP, eligible unclassified employees hired on or before September 9, 1995, may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund retirement program. This defined contribution plan was closed to new enrollment at the time the ORP became effective in 1996.

B. Summary of Significant Accounting Policies

The financial statements for the PERS retirement plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable.

Plan investments are reported at fair value. See Note 1 for additional information about how the fair value of investments is determined.

C. Funding

Primary Government

To pay for PERS pension benefits, state agencies make required contributions based on a percentage of employee payrolls. The retirement contribution rates include an actuarially determined employer rate and a member contribution rate. The PERS Board updates the employer rates every two years, effective July 1 of each odd-numbered year. Currently, the member contribution, known as the 6 percent pick-up, is set by

statute and is paid by state agencies. These two contributions are paid to the State's pension system and are invested at an acceptable level of investment risk as determined by the Oregon Investment Council.

The PERS employer contribution rates for state agencies for the biennium beginning July 1, 2011, and ending June 30, 2013, expressed as a percentage of covered payroll:

Tier One - Tier Two Employer Rates		OPSRP Employer Rates	
General Service	Police and Fire	General Service	Police and Fire
8.80%	16.65%	7.44%	10.15%

State agencies' employer contributions to PERS for fiscal years ended June 30, 2013, 2012, and 2011, totaled approximately $216.3 million, $214.4 million, and $79.5 million, respectively. Member contributions for the year ended June 30, 2013 were $141.4 million. The actual contribution equaled the contractually required contribution in each fiscal year. The contractually required contribution rates for the biennium ending June 30, 2013, are significantly higher than the required contribution rates for the prior biennium.

In fiscal year 2004, the State issued $2 billion in pension obligation bonds to reduce the PERS pension liability. As a result, the actual contribution exceeded the annual required contribution in that fiscal year, creating a net pension asset that is being amortized using the level dollar closed method over 22 years and an assumed interest rate of 8 percent. The primary government's employer cost for the PERS pension plan for fiscal year 2013 was $282.9 million and included $66.6 million of amortization. State agencies pay an additional assessment to cover the annual debt service requirements attributable to the pension bonds.

Oregon University System's Optional Retirement Plan (ORP)

Under the ORP, the employee contribution rate is 6 percent and is paid by OUS. The employer contribution rates for fiscal year 2013 were 16.1 percent for ORP Tier One and ORP Tier Two and 6.2 percent for the OPSRP equivalent. Total OUS employer contributions to the ORP for the years ended June 30, 2013, 2012, and 2011, were approximately $28.6 million, $27.8 million, and $21.6 million, respectively. The OUS employee contributions to the ORP for the years ended June 30, 2013, 2012, and 2011, were approximately $15.9 million, $15.0 million, $14.3 million, respectively.

Discretely Presented Component Units

The SAIF Corporation's employer contributions to PERS for years ended December 31, 2012, 2011, and 2010, were approximately $5.3 million, $3.2 million, and $1.3 million, respectively. Employer contributions to PERS for the Oregon Health and Science University (OHSU) for fiscal years ended June 30, 2013, 2012, and 2011, were approximately $32.3 million, $33.5 million, and $12.5 million, respectively. For both component units, the actual contribution equaled the annual required contribution in each year.

16. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of the members of PERS. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA).

The RHIA is a cost-sharing multiple-employer OPEB plan in which 911 employers participate. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit

provisions and employer obligations for the RHIA plan. The number of RHIA plan members receiving benefits was 42,497 as of June 30, 2013.

The RHIPA is a single-employer OPEB plan established under ORS 238.415. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan. The number of RHIPA plan members receiving benefits was 1,193 as of June 30, 2013.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established membership prior to that date.

The RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://oregon.gov/PERS/section/financial_reports/financials.shtml

Summary of Significant Accounting Policies

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable.

Plan investments are reported at fair value. See Note 1 for additional information about how the fair value of investments is determined.

Funding

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions. For the biennium ending June 30, 2013, state agencies contributed 0.09 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, state agencies contribute 0.5 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $13.0 million, $12.9 million, and $5.8 million for years ended June 30, 2013, 2012, and 2011, respectively. The actual contribution equaled the annual required contribution in each fiscal year. (See Note 15 for details concerning Tier One, Tier Two, and OPSRP membership in PERS.)

The funded status of the RHIA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2012	$291.6	$471.8	$180.2	61.8%	$8,590.9	2.1%

For the biennium ending June 30, 2013, state agencies contribute 0.05 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, state agencies contribute 0.11 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued

liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $3.4 million, $3.4 million, and $1.4 million for the years ended June 30, 2013, 2012, and 2011, respectively. The actual contribution equaled the annual required contribution in each fiscal year.

The funded status of the RHIPA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2012	$4.4	$60.3	$55.9	7.4%	$2,432.4	2.3%

Actuarial Methods and Assumptions

The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2012, using the entry age normal cost method. Significant assumptions used in the actuarial valuation include a 7.75 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.75 percent for both the RHIA and RHIPA plans. The RHIPA plan uses a healthcare cost inflation adjustment graded from 8.0 percent in 2013 to 4.7 percent in 2083. The RHIPA plan's inflation assumption is 2.75 percent, which is a subcomponent of the payroll growth rate. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The unfunded actuarial accrued liability is being amortized as a level percentage of combined valuation payroll over a closed period of 10 years. The actuarial value of plan assets for both the RHIA and the RHIPA is equal to the assets' fair market value on the valuation date. Restricted net position held in trust for other postemployment benefits for RHIA and RHIPA at June 30, 2013, was $317.6 million and $4.2 million, respectively.

B. Public Employees Benefit Board

Plan Description

The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes gives the Board the authority to establish and amend the benefit provisions of the PEBB Plan. Eleven employers participate in the PEBB Plan, which is considered an agent multiple-employer plan for financial reporting purposes. As of June 30, 2013, PEBB Plan members consisted of 49,260 active employees and 1,474 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy."

Summary of Significant Accounting Policies

The PEBB plan's implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation for the year ended June 30, 2013, is $75.1 million and is allocated to the participating funds based on each fund's proportionate share of annual health insurance premium costs. The portion of the net OPEB obligation related to governmental activities is reported in the internal service funds balance sheet and the government-wide statement of net assets; the portion related to business-type activities is reported in the proprietary funds balance sheet and the government-wide statement of net assets. The portion related to fiduciary activities is reported in the statement of fiduciary net assets.

Funding

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year, ended June 30, 2013, retired plan members contributed $21.4 million through their required contributions. The average monthly contribution was $1,209. Active employees do not contribute to the plan.

The funded status of the PEBB postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2011	-	$154.7	$154.7	-	$2,647	5.8%

The schedule of funding progress, which is included in the required supplementary information that immediately follows the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2011, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over thirty years. Significant assumptions used in the actuarial valuation include a 3.5 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.5 percent. The plan uses a medical healthcare cost inflation adjustment of 4.03 percent in fiscal year 2012, 8.4 percent in fiscal year 2013, 7.9 percent in fiscal year 2014, 6.6 percent in 2015, an average of 6.1 percent between fiscal years 2016 and 2040, and the rate grades down from 6 percent to 5.5 percent between fiscal years 2041 and 2061. The dental healthcare cost inflation adjustment was graded from an average of 2.73 percent in fiscal year 2012 to an average of 5 percent for all subsequent fiscal years. The plan's inflation assumption is 2.75 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll using an open 15-year period.

For fiscal years ended June 30, 2013, 2012, and 2011, the components of the PEBB Plan's annual OPEB cost, the amounts actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2013	June 30, 2012	June 30, 2011
Annual required contribution	$ 20.9	$ 20.0	$ 17.4
Interest on net OPEB obligation	2.3	1.9	1.9
ARC adjustment	(4.3)	(3.7)	(2.7)
Annual OPEB cost (expense)	18.9	18.2	16.6
Contributions made	(8.4)	(9.0)	(8.9)
Increase in net OPEB obligation	10.5	9.2	7.7
Net OPEB obligation - beginning of year	64.6	55.4	47.7
Net OPEB obligation - end of year	$ 75.1	$ 64.6	$ 55.4
Percent of annual OPEB cost contributed	44.4%	49.5%	53.6%

C. Using Actuarial Valuations

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

17. DEFERRED COMPENSATION PLANS

The Oregon Savings Growth Plan (OSGP) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement System (PERS) administers the plan. As trustee of the assets, PERS contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. PERS may assess a charge to participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2013, averaged 0.22 percent of amounts deferred.

Participants direct the selection of investment options and bear any market risk. Although the State has no liability for losses under the OSGP, the State does have the prudent investor responsibility of due care. Activity of the OSGP is reported under the Deferred Compensation Plan in the fiduciary funds combining financial statements. As of June 30, 2013, the fair value of the investments was $1.2 billion.

18. TERMINATION BENEFITS

A. Voluntary Early Retirement Plans

Oregon University System

Several individual universities within the Oregon University System (OUS) offer various retirement incentive or voluntary tenure relinquishment programs. The liability for early retirement benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $777 thousand and $765 thousand, respectively.

B. Involuntary Early Termination

Oregon University System

The Oregon University System has severance agreements with two former employees related to early termination of their employment contracts. The future payout period under each severance agreement ranges from one to five years. The liability for early termination benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $429 thousand and $1.2 million, respectively. The amount of the liability was determined by calculating the present value of expected future benefit payments using discount rate 0.87 percent.

19. RISK FINANCING

A. Property, Liability, and Workers' Compensation Coverage for State Government

The Department of Administrative Services, Enterprise Goods and Services, Risk Management section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. Risk Management has found it is more economical to manage the risk of loss internally and, therefore, minimizes the purchase of commercial insurance policies to the extent possible. The moneys set aside by Risk Management under Chapter 278 of the Oregon Revised Statutes are used to service the following risks:

- Direct physical loss or damage to State property
- Tort liability claims brought against the State, its officers, employees, or agents
- Inmate injury
- Workers' compensation
- Employee dishonesty
- Faithful performance bonds for key positions as required by law and additional positions as determined by agency policy

Risk Management purchases commercial insurance for specific insurance needs not covered by self-funding. For example, the self-insured property and liability program is backed by an excess property policy with a limit of $400 million and a blanket commercial crime policy with a limit of $20 million. The amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

All State agencies, commissions, and boards participate in the self-insured property and liability program. Risk Management allocates the cost of claims and claims administration by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and division expenses, less any available fund balance from the prior biennium.

Risk Management purchases workers' compensation insurance for the State from SAIF Corporation, a discretely presented component unit, utilizing retrospective paid loss plans. These plans are ten years in length and have cash flow and investment earnings advantages. The accumulated claim loss liability for the plans was approximately $53.7 million as of June 30, 2013. Independent actuaries determine biennial loss forecasts.

Periodically, Risk Management reevaluates claims liabilities taking into consideration recently settled claims, the frequency of claims, and other economic and social factors. Contracted actuaries estimate claims and allocated and unallocated expenses using the last 20 to 25 years of State claims experience and the projected numbers of employees, payroll, vehicles, and other property. Liabilities include an amount for claims and legal expenses that have been incurred but not reported and are discounted at an annual rate of 2 percent. The actuaries forecast ultimate losses by line of coverage.

Changes in the balance of aggregate claims liabilities for the property, liability, and workers' compensation insurance program for the years ended June 30, 2013 and 2012 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2013	$ 119,633	$ 46,626	$ (26,113)	$ 140,146
2012	136,168	24,696	(41,231)	119,633

The June 30, 2013, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Central Services.

B. State Self-insured Healthcare Plans

Chapter 243 of the Oregon Revised Statutes authorizes the Public Employees' Benefit Board (PEBB) to establish and maintain medical, dental, and vision insurance plans for the benefit of PEBB members. Currently, the State provides these benefits through four self-insured plans.

PEBB is responsible for controlling expenditures, stabilizing benefit premium rates, and minimizing the risk of loss. Funds set aside in a stabilization fund may be used to offset any actual premium deficiencies in the self-funded plans. The reserve is considered adequate to cover catastrophic losses due to large claims in the self-insured plans, as well as unexpected increases in trend, utilization, or other potential fluctuations. PEBB has not purchased stop-loss coverage on any of the plans.

Contracted actuaries and consultants estimate the claims liability. Incurred but not reported expenses are estimated by using claims lag triangles from the plans to develop completion factors. For the most recent

months, incurred claims are estimated based upon reviewing the most recent claims experience per employee and adjusting for trend and seasonality to the projection month. Since most of the claims will be paid out within the year, the estimated amounts are not discounted. Specific adjustments for subrogation or other anticipated recoveries are not included. Overall, these adjustments are not expected to be significant.

In fiscal year 2011, settlements exceeded coverage for the vision plan. The amount of claims for the medical and dental plans did not exceed the self-insured coverage for the past three years.

Changes in the balance of aggregate claims liabilities for the self-insured healthcare plans for the years ended June 30, 2013 and 2012 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2013	$ 69,921	$ 525,659	$ (529,043)	$ 66,537
2012	57,412	582,408	(569,899)	69,921

The June 30, 2013, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Health Services.

C. Supplemental Workers' Compensation Insurance

The Department of Consumer and Business Services operates several supplemental workers' compensation benefit programs. These programs are accounted for in special revenue funds. The primary program is the Retroactive Program, established by Oregon Revised Statute 656.506. It provides increased insurance benefits to claimants or their beneficiaries when current payment requirements exceed benefits in effect at the time of injury.

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections based on historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, and investment and interest earnings pay for the programs. Long-term liabilities were actuarially computed as of June 30, 2013, using a 4 percent discount rate.

Changes in the balance of aggregate claims liabilities for supplemental workers' compensation insurance for the years ended June 30, 2013 and 2012 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2013	$ 846,351	$ 222,365	$ (87,963)	$ 980,753
2012	863,334	-	(16,983)	846,351

The June 30, 2013, balance of claims liabilities is included in claims and judgments payable on the government-wide statement of net position under governmental activities.

D. Oregon University System

The Oregon University System (OUS) established a risk management fund on July 1, 2012 to account for and finance a self-insured retention underlying a comprehensive higher education insurance program as authorized by Oregon Revised Statute 351.096. The OUS Office of Risk Management (Risk Management) administers OUS's property and casualty insurance programs. Prior to July 1, 2012, OUS participated in the state insurance fund managed by the Risk Management section of the Department of Administrative Services. OUS no longer participates in the state insurance fund. As a result, OUS transferred the following risks from the state insurance fund to the OUS risk management fund:

- Direct physical loss or damage to OUS property
- Tort liability claims brought against OUS, its officers, employees or agents
- Workers' compensation
- Employee dishonesty

OUS Risk Management purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risks of loss. The self-insured property coverage is based on a total insurable value of $9.3 billion with a $500 million limit of liability with sub-limits for earthquake and flood. The casualty program provides coverage for a variety of torts, perils, hazards, and potential specialty losses under Risk Management's property and casualty program as well as specific student-related policies with a limit of $50 million. Settled claims did not exceed commercial coverage in the first year of the program.

All seven OUS institutions and the Chancellor's Office participate in the program and make payments to the risk management fund based on a risk allocation model and actuarial estimates of the amounts needed to pay prior and current year claims.

Liabilities include an amount for claims that have been incurred but not reported (IBNR) of $6.5 million. Changes in the balance of aggregate claims liabilities, including IBNR, for the property, liability, and workers' compensation insurance program for the year ended June 30, 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2013	$ -	$ 18,433	$ (3,756)	$ 14,677

The June 30, 2013 balance of claims liabilities is included in claims and judgments payable on the statement of net position of proprietary funds under University System.

E. SAIF Corporation Workers' Compensation Insurance

The Legislature created SAIF Corporation (SAIF) to transact workers' compensation insurance and reinsurance business. SAIF is an independent public corporation, a discretely presented component unit of the State, and the largest workers' compensation insurer in Oregon.

SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related loss adjustment expenses. In estimating the liability for loss and loss adjustment expense, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF.

The liability for loss and loss adjustment expense increased $33.2 million in calendar year 2012, which was net of favorable development of $148.7 million. Loss reserves decreased $6.8 million. Favorable loss reserve development in prior accident years offset loss reserves for the 2012 calendar accident year. The favorable development is attributed to the more recent accident years, as permanent total disability and permanent partial disability medical reserves had lower loss development than was expected. Indemnity loss reserves experienced favorable development as indemnity costs for recent accident years were much lower than expected. Loss adjustment expense reserves increased $40 million. The unfavorable development was largely attributed to an increase in selected loss adjustment expense for the calendar year 2012 due to recent increases in employee benefit and retirement costs.

SAIF discounts the indemnity reserve for known unpaid fatal and permanent total disability losses on a tabular basis, using a discount rate of 3.5 percent. SAIF does not discount any incurred but not reported reserves, medical unpaid losses, or unpaid loss adjustment expense. The gross reserve subject to tabular discounting for calendar year 2012 was $259.5 million. The related discount was $89.4 million as of December 31, 2012.

Anticipated salvage and subrogation of $29 million was included as a reduction of the reserve for loss and loss adjustment expense at December 31, 2012.

As of December 31, 2012, SAIF had provided reserves of $26.1 million for loss and loss adjustment expense related to asbestos claims. SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies.

Changes in the balance of the liability for loss and loss adjustment expense related to workers' compensation insurance underwritten by SAIF for 2012 and 2011 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Adjustment Expense Payments	Ending Balance
2012	$ 3,019,393	$ 353,123	$ (319,905)	$ 3,052,611
2011	3,004,639	328,879	(314,125)	3,019,393

This liability is reported as the reserve for loss and loss adjustment expense on the statement of net position of discretely presented component units under SAIF Corporation.

20. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues, including discretely presented component units, are reported net of discounts and allowances in the accompanying financial statements. Discounts and allowances in proprietary funds for the year ended June 30, 2013 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Housing & Community Services	Other	$ (1,185)
Lottery Operations	Sales	1,682
Unemployment Compensation	Assessments	1,112
Unemployment Compensation	Fines and forfeitures	(4,800)
University System	Charges for services	220,917
Nonmajor Enterprise Funds	Charges for services	1,221
Nonmajor Enterprise Funds	Sales	6,029
Internal Service Funds	Other	(1,138)
Internal Service Funds	Charges for services	2
Total discounts and allowances		$ 223,840

21. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2013, that is restricted by enabling legislation (in thousands). All of the legislative restrictions are in governmental activities.

	Restricted Net Position
Expendable Net Position Restricted for:	
Health and social service programs	$ 150,297
Public transportation programs	5,578
Natural resource programs	84,604
Education	279,265
Community protection	1,423
Consumer protection	34,095
Employment services	10,369
Residential assistance	52,180
Other programs	37,754
Nonexpendable Net Position Restricted for:	
Education	900
Residential assistance	10,747
Workers' compensation	250
Total Net Position Restricted by Enabling Legislation	**$ 667,462**

B. Changes to Beginning Fund Balance

As of June 30, 2013, the beginning fund balances were restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustments	Beginning Balance-Restated
Governmental funds and activities			
General	$ 41,486	$ 265,781	$ 307,267
Health and Social Services	449,956	(328,431)	121,525
Public Transportation	806,566	(4,960)	801,606
Environmental Management	845,234	13,599	858,833
Common School	899,400	(52)	899,348
Other (nonmajor)	1,652,617	(41,371)	1,611,246
Capital assets, net of depreciation	11,868,853	730	11,869,583
Other noncurrent assets	1,651,851	-	1,651,851
Long-term liabilities	(7,467,995)	(310,754)	(7,778,749)
Internal service funds	443,556	(37,452)	406,104
Total governmental funds and activities	$ 11,191,524	$ (442,910)	$ 10,748,614
Proprietary funds and business-type activities			
Housing and Community Services	$ 220,128	$ (630)	$ 219,498
Lottery Operations	139,594	(5,110)	134,484
Unemployment Compensation	1,554,252	(18,622)	1,535,630
University System	1,564,634	(101,379)	1,463,255
Other (nonmajor)	1,181,489	(33,249)	1,148,240
Internal service funds adjustment	7,769	-	7,769
Total proprietary funds and business-type activities	$ 4,667,866	$ (158,990)	$ 4,508,876
Fiduciary funds			
Pension and Other Employee Benefit Trust	$ 59,456,250	$ 625,606	$ 60,081,856
Private Purpose Trust	25,919	(728)	25,191
Investment Trust	4,323,844	-	4,323,844
Total fiduciary funds	$ 63,806,013	$ 624,878	$ 64,430,891

During the year, the State determined that a prior period adjustment was required to record the pension-related debt that originated with the formation of the State and Local Government Rate Pool, a cost-sharing multiple-employer pension plan. The adjustment affected both governmental and business-type activities, as well as the fiduciary funds. Upon recognition of the pension-related debt, the net position of governmental activities decreased $362.8 million, while the net position of business-type activities decreased $140.1 million. The Pension and Other Employee Benefit Trust Fund recognized a receivable related to this debt (transition liability), increasing the trust fund's net position by $625.6 million.

Two other significant prior period adjustments were recognized during the year. Federal oversight agencies allowed the State to shift $306 million of prior year human services program expenditures from the General Fund to the Health and Social Services Fund for federal grant purposes. In the Educational Support Fund, a nonmajor governmental fund, a prior period adjustment of $40.1 million was made to correct federal revenue that should have been recognized in prior periods.

C. Fund Balances – Governmental Funds

The following table displays in detail the June 30, 2013, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands).

Fund balances	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total
Nonspendable:							
Not in spendable form	$ 20,342	$ 899	$ 29,326	$ 27,067	$ 3	$ 4,290	$ 81,927
Required to be maintained intact	19	52	40	253	-	14,711	15,075
Restricted for:							
Public health and welfare	95	215,548	-	-	-	-	215,643
Roads and bridges	-	-	555,303	-	-	-	555,303
Conservation and natural resources	19,659	-	-	766,746	-	-	786,405
K-12 Education	-	-	-	-	998,731	139,368	1,138,099
Education stabilization	-	-	-	-	-	15,922	15,922
Community protection	-	-	-	-	-	127,657	127,657
Licensing and regulation	-	-	-	-	-	74,531	74,531
Employment related programs	-	-	-	-	-	113,672	113,672
Low income housing assistance	-	-	-	-	-	110,201	110,201
Debt service	-	-	-	-	-	347,718	347,718
Capital projects	-	-	-	-	-	38,984	38,984
Other purposes	86,487	-	-	-	-	77,963	164,450
Committed to:							
Public health and welfare	-	62,682	-	-	-	-	62,682
Conservation and natural resources	-	-	-	41,459	-	-	41,459
Education	-	-	-	-	-	15,754	15,754
Business development	-	-	-	-	-	31,895	31,895
Community protection	-	-	-	-	-	86,538	86,538
Licensing and regulation	-	-	-	-	-	31,538	31,538
Employment related programs	-	-	-	-	-	90,517	90,517
Low-income housing assistance	-	-	-	-	-	151,038	151,038
Stabilization	61,889	-	-	-	-	-	61,889
Other purposes	21,194	-	-	-	-	4,019	25,213
Assigned to:							
Conservation and natural resources	-	-	-	5,607	-	-	5,607
Education	-	-	-	-	-	3,260	3,260
Community protection	-	-	-	-	-	3,544	3,544
Employment related programs	-	-	-	-	-	3,139	3,139
Other purposes	-	-	-	-	-	4,614	4,614
Unassigned:	574,197	(45,554)	-	-	-	(962)	527,681
Total fund balances	$ 783,882	$ 233,627	$ 584,669	$ 841,132	$ 998,734	$ 1,489,911	$ 4,931,955

Nonspendable fund balances include inventories and prepaid items, which are not in spendable form, and fund balances associated with the corpus of revolving funds and permanent fund principal, which are legally or contractually required to be maintained intact.

Restricted fund balances result from constraints imposed on net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation.

Committed fund balance results from constraints imposed by bills passed by the Legislature and signed into law by the Governor. The constraints on the use of resources are separate from the authorization to raise the underlying revenue and may be modified or rescinded only by passing additional legislation.

Assigned fund balance represents amounts that are constrained by the State's intent to use them for specific purposes, which are neither restricted nor committed. Intent is expressed by state officials to whom the State has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance is the residual amount in governmental funds, other than the General Fund.

D. Deficit Net Position

The Energy Loan Fund, a nonmajor enterprise fund, reports a deficit net position of $8.5 million as of June 30, 2013.

E. Stabilization Arrangements

Oregon maintains two stabilization funds – the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to 1 percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

Stabilization amounts in the Oregon Rainy Day Fund may be spent if approved by three-fifths of the members of the Legislative Assembly and one of the following conditions exists:

- The last quarterly economic and revenue forecast for a biennium indicates that moneys available to the General Fund for the next biennium will be at least 3 percent less than appropriations from the General Fund for the current biennium;
- There has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
- A quarterly economic and revenue forecast projects that revenues in the General Fund in the current biennium will be at least 2 percent below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

For any one biennium, the Legislative Assembly may not appropriate more than two-thirds of the amount that is in the Oregon Rainy Day Fund at the beginning of that biennium. If the appropriation is for a biennium that has not yet begun, the Legislative Assembly may use as the base the most recent estimate of the amount that will be in the Oregon Rainy Day Fund at the beginning of the biennium for which the appropriation is made. The fund balance of the Oregon Rainy Day Fund as of June 30, 2013 was $61.9 million.

The Education Stability Fund is authorized in the Oregon Constitution, Article XV. Section 4, part (4)(d), requires that 18 percent of net lottery proceeds be deposited in the fund. Earnings on moneys in the fund are retained by the fund or continuously appropriated to finance public education under Oregon Revised Statute 348.696. The balance in the fund may not exceed 5 percent of General Fund revenues of the prior biennium.

Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education. The Governor must declare an emergency and the expenditure must be approved by a three-fifths majority in each chamber. The fund balance of the Education Stability Fund as of June 30, 2013, was $15.9 million.

22. COMMITMENTS

The State has significant commitments as of June 30, 2013, in addition to the construction contract commitments disclosed in Note 6. Commitments are defined as existing arrangements to enter into future transactions or events, such as contractual obligations with vendors for future purchases or services at specified prices and sometimes at specified quantities. Commitments may also include agreements to make grants and loans.

Commitments in effect as of June 30, 2013, and the anticipated sources of funding (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	$ 115,878	$ 120,875	$ 2,858	$ 37,253	$ 276,864
Grant & loan commitments	36,350	142,764	39,449	233,121	451,684
Personal services contracts	111,397	64,281	758	35,233	211,669
Public defense contracts	47,682	-	-	-	47,682
Systems development	158	2,456	14,850	17,132	34,596
Equipment purchases	-	-	14,378	81	14,459
Total commitments	$ 311,465	$ 330,376	$ 72,293	$ 322,820	$ 1,036,954

The Oregon Investment Council has entered into agreements that commit the investment managers for the Oregon Public Employees Retirement Fund (OPERF), the Common School Fund (CSF), and the Oregon University System (OUS) Endowment Fund, upon request, to make additional investment purchases up to a predetermined amount. The Oregon Growth Account (OGA) Board makes similar commitments for investment purchases. As of June 30, 2013, the OPERF had $7.1 billion in commitments to purchase private equity investments, $2.2 billion to purchase real estate investments, $176.3 million to purchase Opportunity Fund investments, and $491.6 million to purchase Alternative Equity portfolio investments. As of June 30, 2013, the CSF, OUS Endowment Fund, and the OGA had $121.8 million, $3.2 million, and $22.6 million, respectively, in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

23. CONTINGENCIES

A. Litigation

Public Employees Retirement System

Senate Bill (SB) 822, passed in the 2013 regular legislative session, reduces cost of living adjustments and eliminates certain benefit payments to retirees living outside of Oregon who are not subject to Oregon income tax. SB 822 provides for a direct review of the bill in the Oregon Supreme Court. Several cases challenging the bill have been filed alleging, among other claims, that the State of Oregon breached its contracts, unconstitutionally impaired its contracts, and committed an unconstitutional taking without compensation when the State reduced certain retirement benefits. A special master has been appointed to gather evidence for the case.

In the 2013 special session, the Legislature adopted SB 861 which further reduced benefits to some retirees and further adjusted and limited cost of living increases. SB 861 has also been challenged, contains the same Oregon Supreme Court direct review provision, and is also before the special master.

If either of the bills adopted by the Legislative Assembly is struck down, the anticipated budget savings from the PERS changes may not be realized for the 2013-2015 biennium, as well as future biennia.

Portland Harbor Superfund

Two state agencies are involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of sediment contamination in the Portland Harbor, a ten-mile stretch of the lower Willamette River area that the U.S. Environmental Protection Agency (EPA) has listed as a Superfund site under the federal Superfund law (CERCLA). Over 200 parties, private companies and public entities, may eventually be found liable for a share of the costs related to investigation and cleanup of the site.

The Oregon Department of Transportation (ODOT) and the Oregon Department of State Lands (DSL) have received General Notice Letters from the EPA informing them that the State, by and through those agencies, is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site. It is too early in the process to estimate the total amount of the cleanup costs that will be shared by liable parties. A draft feasibility study outlines eleven alternative options, ranging in costs from $269 million to $1.8 billion. It is also too early to estimate the proportionate share of the liability for cleanup costs, if any, that may ultimately be

assessed against either of the State agencies. When the mediation will end is not known but it could be as late as 2017.

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including ODOT and DSL, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State. The trustees have initiated a cooperative injury assessment process that provides an opportunity for early settlement of the NRD claim. The allocation of liability for the NRD claim will take place at the same time as the allocation of liability for remedial costs. It is too early to estimate what, if any, share of the liability the State may ultimately bear for natural resource damages.

Another potential risk for the State involves the Superfund law's orphan share obligations. When the EPA negotiates a settlement with the liable parties for the Portland Harbor Superfund, it may agree to pay some portion of the financial responsibility assigned to potentially responsible parties who are insolvent or defunct, and unaffiliated with any other viable liable party (the orphan share). The EPA may request, as authorized by the Superfund law, that the State pay 10 percent of any orphan share payment made by the EPA, plus the costs of continuing operation and maintenance of the orphan site. At this time, whether the State would enter into such an agreement and the amount the State would pay are unknown and will depend on the outcome of negotiations with the EPA.

Community Mental Health Programs

The State is engaged in discussions with the United States Department of Justice (USDOJ) concerning the State's community mental health programs. The USDOJ is conducting an ongoing investigation to determine if the State has complied with the federal Americans with Disabilities Act. Currently, the State has no specific information on the cost of implementing any changes that may result from the investigation. The State expects that if the USDOJ determines there are violations of federal law, the USDOJ will issue written findings that specify the nature of any violations. At that time, the State will be in a better position to estimate the costs to remedy any asserted violations. It is possible that the costs of changes, if any, to the State's community mental health programs could reach or exceed $50 million.

Multistate Tax Compact

The Oregon Tax Court has a case pending that challenges the State's departure from provisions in the Multistate Tax Compact (Compact) when apportioning income attributable to corporations operating in more than one state. Under the Compact, the income of a multi-state corporation is apportioned to a state using an equally weighted three-factor formula. The formula compares in-state payroll, property, and sales to the corporation's overall payroll, property, and sales. Currently, the State uses only sales in Oregon and does not use the other two factors to apportion corporate income. The taxpayer in Health Net v. Dept. of Revenue asserts that the Compact is a binding contractual arrangement that cannot be unilaterally changed by a participating state and, therefore, the State must allow taxpayers to apportion multi-state corporate income based only on the formula in the Compact. If the taxpayer prevails and a court determines the State must use the Compact formula, other corporations may seek refunds using the same theory and the State may collect less corporate income taxes in the future. The State has insufficient data to predict accurately the amounts it could be required to refund or the overall impact on future revenues. Those amounts would depend on the circumstances of individual corporations that may, or may not, seek refunds and actions taken by the Legislative Assembly in response to an adverse ruling. Such actions could include withdrawing from the Compact or adopting legislative changes to apportionment statutes. Preliminary estimates, however, indicate the potential maximum refund liability and reductions in corporate income tax revenues, without any legislative action, would exceed $50 million. The State anticipates that the Oregon Tax Court's ruling will be appealed to the Oregon Supreme Court by either the State or the taxpayer.

Foster Home Cases

Complaints have been filed against the Oregon Department of Human Services, and a number of its employees, on behalf of at least ten children who were placed in a foster care between 2007 and 2011. The children were generally medically fragile or had other special needs. The plaintiffs have filed an action in federal court based on alleged violations of federal civil rights and other laws. In the federal action, plaintiffs seek an award for damages of $22 million, as well as damages that are triple that amount based on a claim of statutory abuse of a vulnerable person. The plaintiffs have also filed actions in the State Circuit Court that

may be stayed while the plaintiffs pursue their action in federal courts. It is too early in the case to evaluate the likelihood of the success of the plaintiffs' claims or whether any damages ultimately would be awarded. It is likely, however, that if the plaintiffs prevail, any damages awarded by the court would be paid from the State's Insurance Fund (a self-insurance fund), rather than through an appropriation from the General Fund.

B. Debt Guarantees

Article XI-K of the Oregon Constitution authorizes the State to guarantee the general obligation bonded debt issued by Oregon school districts, community colleges, and education service districts. The Article authorizes the issuance of state general obligation bonds to satisfy the guarantee. The State has not issued, nor does it expect to issue, any bonds under this authorization. Several other sources of State funds are expected to be used to pay debt service on any defaulting bonds prior to issuing State general obligation bonds for this purpose. As of June 30, 2013, Oregon school districts, community colleges, and education service districts had issued a total of $3.6 billion of bonds that are guaranteed under these provisions.

C. Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. The amount of future benefit payments to claimants and the resulting liability to the State cannot be reasonably estimated. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2013, totaled approximately $15.6 million.

D. Federal Issues

The State receives significant financial assistance from the federal government. Entitlement to these resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2013, there is no indication that such audits will result in a material liability.

24. SUBSEQUENT EVENTS

A. Long-term Debt Issues

Long-term debt issued, including refundings, since July 1, 2013 (in thousands):

Type of Debt	Amount
General Obligation Bonds	
Department of Administrative Services	$ 75,015
Board of Higher Education	115,105
Revenue Bonds	
Housing and Community Services Department	47,920
Department of Transportation	675,290

B. Bond Calls

Bond calls that have occurred since July 1, 2013 (in thousands):

Type of Call	Amount
Revenue Bonds	
Housing and Community Services Department	$ 168,425

C. Interest Rate Swaps

On July 1, 2013, the Housing and Community Services Department terminated notional amounts of swaps related to the Mortgage Revenue Bonds listed below. These terminations were made pursuant to optional par termination provisions included in each of the swap agreements.

Bond Series	Notional Amount (in thousands)
2004 Series C	$ 1,005
2004 Series I	965
2006 Series C	800
2006 Series F	1,100
2008 Series F	2,100

D. Tax Anticipation Notes Issuance

On August 7, 2013, the State issued $642.4 million of full faith and credit Tax Anticipation Notes, 2013 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2013-2015 biennium.

E. Debt Guarantees

Under Article XI-K of the Oregon Constitution, $221 million in bonds for school districts were issued and guaranteed following the fiscal year ended June 30, 2013, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective school district.

School District	Series	Amount
Clackamas County School District 3J (West Linn-Wilsonville)	2013	$ 15,185
Crook County School District	2013	32,795
Deschutes County School District 1 (Bend-Lapine)	2013B	91,825
Jefferson County School District 509J (Madras)	2013B	10,740
Klamath County School District	2013	31,000
Lane County School District (Bethel)	2013C	5,941
Lane County School District (Bethel)	2013B	33,555
Total Debt Guarantees		$ 221,041

Required Supplementary Information

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Budgeted Appropriated Funds

The State accounts for budgetary activities based on the source of moneys used to pay expenditures. Separate appropriated funds are established for each funding source.

General Fund

This fund accounts for expenditures made with general fund revenue. General fund revenue consists largely of personal and corporate income taxes.

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

This fund accounts for expenditures made with lottery funds. These funds, which are earned by the State Lottery, are transferred to the Economic Development Fund at the Department of Administrative Services for disbursement to agencies where the funds are expended.

Other Funds

This fund accounts for budgeted expenditures other than those funded by general, federal and lottery funds.

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2013
(In Thousands)

	General Fund				
	2011-2013 Original Budget	2011-2013 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	$12,229,701	$12,229,701	$ 5,822,895	$ 6,259,857	$ (146,949)
Corporate Income Taxes	863,323	863,323	431,024	452,888	20,589
Tobacco Taxes	132,830	132,830	65,734	67,136	40
Motor Fuels Taxes	-	-	-	-	-
Weight Mile Taxes	-	-	-	-	-
Vehicle Registration Taxes	-	-	-	-	-
Other Taxes	292,610	292,610	152,687	152,360	12,437
Licenses and Fees	145,331	146,388	104,557	35,532	(6,299)
Federal	-	-	-	-	-
Charges for Services	11,152	11,152	6,009	5,855	712
Fines and Forfeitures	44,873	44,873	51,075	58,003	64,205
Rents and Royalties	-	-	-	-	-
Investment Income	9,913	9,913	9,838	3,793	3,718
Sales	1,054	1,054	601	602	149
Donations and Grants	-	-	-	40	40
Foreclosure Settlement Proceeds	-	-	25,253	-	25,253
Pension Bond Debt Service Assessments	-	-	-	-	-
Other	20,190	20,190	12,653	12,121	4,584
Total Revenues	13,750,977	13,752,034	6,682,326	7,048,187	(21,521)
Expenditures:					
Education	6,751,883	6,762,371	3,592,578	3,093,547	(76,246)
Human Services	3,803,850	3,904,216	2,073,138	1,695,797	(135,281)
Public Safety	1,906,132	1,958,084	955,773	968,474	(33,837)
Economic and Community Development	24,011	28,951	10,560	16,516	(1,875)
Natural Resources	129,006	134,637	62,610	66,239	(5,788)
Transportation	17,416	2,000	967	1,003	(30)
Consumer and Business Services	11,283	11,145	5,698	5,204	(243)
Administration	184,116	205,838	92,998	105,860	(6,980)
Legislative	152,957	82,943	35,625	41,304	(6,014)
Judicial	581,942	598,429	307,957	281,068	(9,404)
Total Expenditures	13,562,596	13,688,614	7,137,904	6,275,012	(275,698)
Excess (Deficiency) of Revenues Over (Under) Expenditures	188,381	63,420	(455,578)	773,175	254,177
Other Financing Sources (Uses):					
Transfers from Other Funds	915,321	991,148	627,433	169,906	(193,809)
Transfers to Other Funds	(669,169)	(668,265)	(470,023)	(16,528)	181,714
Long-term Debt Issued	-	-	-	-	-
Debt Issuance Premium	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	-	-	-
Contributions to Permanent Funds	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 434,533	$ 386,303	(298,168)	926,553	$ 242,082
Budgetary Fund Balances - Beginning			522,312	68,473	
Prior Period Adjustments			(1,120)	(28,462)	
Budgetary Fund Balances - Beginning - As Restated			521,192	40,011	
Prior Biennium Transactions			(154,551)	-	
Budgetary Fund Balances - Ending			$ 68,473	$ 966,564	

Federal Funds					Lottery Funds				
2011-2013 Original Budget	2011-2013 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)	2011-2013 Original Budget	2011-2013 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,574,360	11,731,319	5,011,839	5,431,093	(1,288,387)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,706	2,706	1,433	1,040	(233)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
11,574,360	11,731,319	5,011,839	5,431,093	(1,288,387)	2,706	2,706	1,433	1,040	(233)
1,009,664	1,010,601	407,195	420,398	(183,008)	641,764	632,639	101,834	527,700	(3,105)
8,024,860	8,625,941	3,976,900	4,364,220	(284,821)	10,780	10,158	5,539	4,409	(210)
456,054	472,171	182,865	187,317	(101,989)	6,653	6,856	3,341	3,134	(381)
527,095	597,057	246,827	215,088	(135,142)	146,724	147,982	74,379	64,445	(9,158)
314,663	327,816	135,116	117,061	(75,639)	167,082	167,366	59,198	67,312	(40,856)
120,025	139,172	49,791	50,655	(38,726)	69,701	72,615	31,964	40,651	-
6,923	9,850	3,349	3,648	(2,853)	-	-	-	-	-
13,133	17,720	5,443	3,854	(8,423)	13,597	13,810	6,486	7,093	(231)
-	-	-	-	-	-	-	-	-	-
851	1,303	715	481	(107)	-	-	-	-	-
10,473,268	11,201,631	5,008,201	5,362,722	(830,708)	1,056,301	1,051,426	282,741	714,744	(53,941)
1,101,092	529,688	3,638	68,371	(457,679)	(1,053,595)	(1,048,720)	(281,308)	(713,704)	53,708
8,944	8,944	36,029	22,360	49,445	2,478,877	2,432,260	863,268	926,346	(642,646)
(547,662)	(547,662)	(45,607)	(44,059)	457,996	(1,373,086)	(1,304,313)	(278,437)	(383,056)	642,820
-	-	-	-	-	-	-	144	(144)	-
-	-	-	-	-	-	-	22	(22)	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
$ 562,374	$ (9,030)	(5,940)	46,672	$ 49,762	$ 52,196	$ 79,227	303,689	(170,580)	$ 53,882
		65,526	(14,700)				(234,523)	(97,420)	
		(796)	(33,930)				-	(174)	
		64,730	(48,630)				(234,523)	(97,594)	
		(73,490)	(1,548)				(166,586)	(11,899)	
		$ (14,700)	$ (3,506)				$ (97,420)	$ (280,073)	

(continued on next page)

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2013
(In Thousands)
(continued from previous page)

	Other Funds				
	2011-2013 Original Budget	2011-2013 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	$ -	$ -	$ -	$ -	$ -
Corporate Income Taxes	-	-	-	-	-
Tobacco Taxes	323,911	323,911	172,824	202,208	51,121
Motor Fuels Taxes	980,292	980,292	448,921	483,658	(47,713)
Weight Mile Taxes	630,234	630,234	233,633	261,678	(134,923)
Vehicle Registration Taxes	564,625	564,625	253,044	283,876	(27,705)
Other Taxes	902,826	901,260	504,718	558,349	161,807
Licenses and Fees	779,872	779,959	328,723	490,083	38,847
Federal	968,878	970,028	558,869	437,004	25,845
Charges for Services	2,255,932	2,220,163	1,377,894	(293,849)	(1,136,118)
Fines and Forfeitures	199,239	197,939	78,328	57,870	(61,741)
Rents and Royalties	115,095	115,095	52,597	58,752	(3,746)
Investment Income	247,212	249,907	32,548	6,805	(210,554)
Sales	474,339	475,139	118,255	85,734	(271,150)
Donations and Grants	32,507	37,733	17,938	16,519	(3,276)
Foreclosure Settlement Proceeds	-	-	-	-	-
Pension Bond Debt Service Assessments	303,860	303,860	144,409	143,033	(16,418)
Other	921,235	901,795	316,394	198,619	(386,782)
Total Revenues	9,700,057	9,651,940	4,639,095	2,990,339	(2,022,506)
Expenditures:					
Education	2,370,275	139,528	1,075,864	(965,035)	(28,699)
Human Services	2,441,514	2,884,433	893,451	1,673,008	(317,974)
Public Safety	519,395	535,205	224,323	238,599	(72,283)
Economic and Community Development	344,420	364,737	130,127	159,386	(75,224)
Natural Resources	806,723	841,230	316,245	354,081	(170,904)
Transportation	3,558,283	3,622,380	1,269,271	1,410,018	(943,091)
Consumer and Business Services	321,647	322,546	140,447	139,808	(42,291)
Administration	1,240,324	1,267,072	577,093	617,829	(72,150)
Legislative	5,696	5,696	1,527	2,182	(1,987)
Judicial	26,160	60,745	24,496	24,449	(11,800)
Total Expenditures	11,634,437	10,043,572	4,652,844	3,654,325	(1,736,403)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,934,380)	(391,632)	(13,749)	(663,986)	(286,103)
Other Financing Sources (Uses):					
Transfers from Other Funds	5,600,038	5,699,079	2,824,503	2,798,877	(75,699)
Transfers to Other Funds	(6,510,778)	(6,502,979)	(2,617,715)	(2,728,626)	1,156,638
Long-term Debt Issued	1,942,052	2,053,731	130,283	105,341	(1,818,107)
Debt Issuance Premium	-	-	10,367	14,796	25,163
Loan Proceeds	34,787	34,787	250	215,000	180,463
Gain(Loss) on Disposition of Assets	-	-	1,063	838	1,901
Contributions to Permanent Funds	-	-	-	32	32
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (868,281)	$ 892,986	335,002	(257,728)	$ (815,712)
Budgetary Fund Balances - Beginning			3,163,714	3,195,941	
Prior Period Adjustments			3,747	8,022	
Budgetary Fund Balances - Beginning - As Restated			3,167,461	3,203,963	
Prior Biennium Transactions			(306,522)	(69,839)	
Budgetary Fund Balances - Ending			$ 3,195,941	$ 2,876,396	

Total All Budgeted Appropriated Funds				
2011-2013 Original Budget	2011-2013 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
$12,229,701	$12,229,701	$ 5,822,895	$ 6,259,857	$ (146,949)
863,323	863,323	431,024	452,888	20,589
456,741	456,741	238,558	269,344	51,161
980,292	980,292	448,921	483,658	(47,713)
630,234	630,234	233,633	261,678	(134,923)
564,625	564,625	253,044	283,876	(27,705)
1,195,436	1,193,870	657,405	710,709	174,244
925,203	926,347	433,280	525,615	32,548
12,543,238	12,701,347	5,570,708	5,868,097	(1,262,542)
2,267,084	2,231,315	1,383,903	(287,994)	(1,135,406)
244,112	242,812	129,403	115,873	2,464
115,095	115,095	52,597	58,752	(3,746)
259,831	262,526	43,819	11,638	(207,069)
475,393	476,193	118,856	86,336	(271,001)
32,507	37,733	17,938	16,559	(3,236)
-	-	25,253	-	25,253
303,860	303,860	144,409	143,033	(16,418)
941,425	921,985	329,047	210,740	(382,198)
35,028,100	35,137,999	16,334,693	15,470,659	(3,332,647)
10,773,586	8,545,139	5,177,471	3,076,610	(291,058)
14,281,004	15,424,748	6,949,028	7,737,434	(738,286)
2,888,234	2,972,316	1,366,302	1,397,524	(208,490)
1,042,250	1,138,727	461,893	455,435	(221,399)
1,417,474	1,471,049	573,169	604,693	(293,187)
3,765,425	3,836,167	1,351,993	1,502,327	(981,847)
339,853	343,541	149,494	148,660	(45,387)
1,451,170	1,504,440	682,020	734,636	(87,784)
158,653	88,639	37,152	43,486	(8,001)
608,953	660,477	333,168	305,998	(21,311)
36,726,602	35,985,243	17,081,690	16,006,803	(2,896,750)
(1,698,502)	(847,244)	(746,997)	(536,144)	(435,897)
9,003,180	9,131,431	4,351,233	3,917,489	(862,709)
(9,100,695)	(9,023,219)	(3,411,782)	(3,172,269)	2,439,168
1,942,052	2,053,731	130,427	105,197	(1,818,107)
-	-	10,389	14,774	25,163
34,787	34,787	250	215,000	180,463
-	-	1,063	838	1,901
-	-	-	32	32
$ 180,822	$ 1,349,486	334,583	544,917	$ (469,986)
		3,517,029	3,152,294	
		1,831	(54,544)	
		3,518,860	3,097,750	
		(701,149)	(83,286)	
		$ 3,152,294	$ 3,559,381	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium. The Governor establishes priorities for the State based on function (i.e., education, human services, etc.) and the budget is summarized by these functions. Expenditures are budgeted based on the following revenue sources: general, federal, lottery, and other.

A constitutional amendment adopted by the people in 2010 changed the historical Oregon "biennial" session process into "annual" sessions. The amendment limited the session length to 160 calendar days in odd-numbered years and to 35 calendar days in even-numbered years. In odd-numbered years, the budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to compensate for any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. These nonlimited funds include other funds, federal funds, and other funds debt service. Spending plans for nonbudgeted financial activities are also established by agencies for certain expenditures to enhance fiscal control. These nonbudgeted items include federal funds and other funds and are not included in the Governor's budget recommendations.

When the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. The Emergency Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management can reallocate within an appropriation without Emergency Board approval.

The State does not budget by the prescribed fund types of generally accepted accounting principles (GAAP). Appropriations may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these three levels depending on the Legislature's view of the activity. The State uses the Relational Statewide Accounting and Reporting System (R*STARS) to control expenditures by budgeted expenditure item. Each item on an approved appropriation bill is assigned an appropriation number. In R*STARS, the appropriated funds are tied to one or more appropriation numbers to ensure expenditures do not exceed approved appropriations. The following budgeted appropriated fund types have been established in R*STARS to account for the State's budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

Budgets are prepared on the cash basis. Spending limits are established using quarterly allotments. Allotments are required for both appropriated and nonappropriated items. The spending limits are monitored by the Chief Financial Office of the Department of Administrative Services and are controlled by R*STARS. Encumbrance accounting provides additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. For budgetary reporting purposes, encumbrances are treated like expenditures and are shown as a reduction of fund balance.

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2011-2013 biennium as of June 30, 2013. A copy of this report is available at the Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent liabilities have been incurred at June 30, provided payment of those liabilities occurs during the succeeding six-month period of July 1 through December 31. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Agencies are required to provide estimates of expected revenues for program revenue and segregated revenue categories. General Fund revenues consist primarily of general taxes and other receipts that are paid into the General Fund and are then available for appropriation by the Legislature. Revenues not recorded in the General Fund consist of function specific revenues, which are credited by law to an appropriation to finance a specified program, and segregated revenues that are paid into separate identifiable funds.

The original budget amounts reported for revenues in the accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budget amounts reported for expenditures represent the original budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year.

The major differences between budgetary (non-GAAP) basis and GAAP basis are:

- Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.
- Revenues are recognized when received in cash (budgetary basis) versus when they are susceptible to accrual (GAAP basis).
- Expenditures are recognized when paid in cash or encumbered (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
- Nonappropriated and nonbudgeted funds are not included in the budgetary schedule.
- Timing differences occur because of a six-month lapse period between June 30 and December 31 of each odd-numbered year.

These different accounting principles may result in basis, perspective, entity, and timing differences in the excess (deficiency) of revenues and other financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in Note 2 of the required supplementary information.

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP Basis) - All Budgeted Appropriated Funds" presents comparisons of the legally approved budget (more fully described in Note 1) with actual data on a budgetary basis.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2013, is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net position.

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (in thousands)

	Budgetary Balances Classified into GAAP Fund Structure								
GAAP Fund	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non-Budgeted Funds	GAAP Balances
General	$ 926,553	$ 6	$ (16,831)	$ (14,952)	$ 894,776	$ (43,202)	$ (342,995)	$ (32,378)	$ 476,201
Health and Social Services	-	20,624	656	(136,036)	(114,756)	(29,118)	273,716	(17,995)	111,847
Public Transportation	-	782	-	(188,375)	(187,593)	-	(36,722)	3,698	(220,617)
Environmental Management	-	7,495	18,895	5,825	32,215	(11,171)	(75,566)	37,107	(17,415)
Common School	-	-	-	(5,407)	(5,407)	(52)	(383)	105,228	99,386
Nonmajor Governmental	-	16,594	(163,076)	35,826	(110,656)	(89,221)	53,218	25,558	(121,101)
Housing and Community Services	-	-	-	(1,348)	(1,348)	-	(751)	(2,463)	(4,562)
Lottery Operations	-	-	-	-	-	-	(330)	21,744	21,414
Unemployment Compensation	-	-	-	-	-	-	-	403,040	403,040
University System	-	-	(10,224)	43,128	32,904	-	(39,460)	20,563	14,007
Nonmajor Proprietary	-	1,171	-	(4,749)	(3,578)	(3,086)	(63,395)	151,260	81,201
Internal Service	-	-	-	4,823	4,823	(2,950)	14,621	71,417	87,911
Pension and Other Employee Benefit Trust	-	-	-	3,537	3,537	(133)	(58,008)	5,335,293	5,280,689
Private Purpose Trust	-	-	-	-	-	-	-	2,358	2,358
Investment Trust	-	-	-	-	-	-	-	444,754	444,754
Totals	$ 926,553	$ 46,672	$ (170,580)	$ (257,728)	$ 544,917	$ (178,933)	$ (276,055)	$ 6,569,184	$ 6,659,113

Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefit Plans
(In Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)[3]	Funded Ratio (a/b)[3]	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB) Plan						
7/1/2007	$ -	$ 323.4	$ 323.4	0%	$ 2,187.2	14.8%
7/1/2009	-	161.7	161.7	0%	2,562.5	6.3%
7/1/2011[1]	-	154.7	154.7	0%	2,647.0	5.8%
Retiree Health Insurance Premium Account (PERS Plan)[2]						
12/31/2010	$ 5.7	$ 33.9	$ 28.2	16.8%	$ 2,379.7	1.2%
12/31/2011	4.5	34.4	29.9	13.2%	2,376.9	1.3%
12/31/2012	4.4	60.3	55.9	7.4%	2,432.4	2.3%

[1] The July 1, 2011, PEBB Plan actuarial valuation included notable changes from the previous valuation. The current actuarial valuation estimates that 85 percent of males and 60 percent of females who elect coverage upon retirement will also elect spousal coverage. The previous valuation estimated 75 percent of males and 30 percent of females who elect coverage upon retirement would also elect spousal coverage. In addition, the amortization period used for recognizing unfunded AAL was reduced from 30 years as a level dollar amount to 15 years as a level percentage of payroll. The impact of these changes is an increase in the annual required contribution.

[2] The benefits of the Retiree Health Insurance Premium Account (RHIPA) are funded through a separate account within the Public Employees Retirement System (PERS) trust. The normal cost rates for RHIPA are very sensitive to the participation assumption and the effects of current and assumed future healthcare cost inflation. According to the latest valuation report, RHIPA is not as well funded as the pension program. To address this issue, the Board shortened the shortfall amortization period to improve more rapidly the funded status of the program. The State's contribution rates as of July 2011 reflected the accelerated amortization.

PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. This report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

[3] Differences due to rounding.

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs include licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, transfers from other funds, and revenue bond proceeds comprise the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs include federal grants, fines, and state court fees.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Public utilities taxes and business license fees comprise the main funding sources.

Educational Support Fund

This fund accounts for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood to postgraduate research, not including activities accounted for in the Common School Fund. The principal funding sources for these programs include federal grants and transfers from other funds.

Employment Services Fund

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment-related programs include federal grants, employer and employee taxes, and workers' compensation insurance taxes.

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants provide the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding sources include federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by federal grants and charges for services.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on certificates of participation not reported in proprietary funds. Debt service requirements are funded by a legislative appropriation.

General Obligation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation bonds not reported in the general fund or in proprietary funds. The issuance of general obligation debt is authorized in the Oregon Constitution. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

General Appropriation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general appropriation bonds not reported in the general fund or in proprietary funds. The issuance of general appropriation bonds is authorized by the Oregon Legislature. Debt service requirements are funded by a legislative appropriation.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The permanent fund is used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. These earnings provide funding for programs such as the upkeep on fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	$ 24,535	$ 42,015	$ 214,106
Investments	-	18,739	-
Custodial Assets	-	-	-
Securities Lending Collateral	873	2,554	9,354
Accounts and Interest Receivable (net)	3,063	1,089	46,340
Taxes Receivable (net)	-	-	-
Due from Other Funds	223	3,197	8,156
Due from Other Governments	-	-	-
Inventories	106	58	595
Prepaid Items	70	-	1
Net Contracts, Notes and Other Receivables	-	207	224,862
Loans Receivable (net)	-	1,910	-
Total Assets	$ 28,870	$ 69,769	$ 503,414
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 996	$ 858	$ 26,864
Obligations Under Securities Lending	873	2,554	9,354
Due to Other Funds	133	82	15,058
Due to Component Units	-	-	-
Due to Other Governments	-	392	3,945
Deferred Revenue	26	559	226,171
Custodial Liabilities	171	-	561
Contracts, Mortgages, and Notes Payable	-	-	3,000
Advances from Other Funds	-	-	67
Total Liabilities	2,199	4,445	285,020
Fund Balances:			
Nonspendable	202	59	655
Restricted by:			
Federal Laws and Regulations	25	10,239	17,921
Oregon Constitution	334	13,418	3,425
Enabling Legislation	23,739	9,672	26,999
Debt Covenants	-	4	77,900
Donors and Other External Parties	-	-	1,412
Committed	-	31,895	86,538
Assigned	2,371	37	3,544
Unassigned	-	-	-
Total Fund Balances	26,671	65,324	218,394
Total Liabilities and Fund Balances	$ 28,870	$ 69,769	$ 503,414

Special Revenue Funds

Consumer Protection	Education Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ 109,290	$ 114,368	$ 47,569	$ -	$ 79,817	$ 15,154
-	41,717	125,241	-	15,433	-
3,870	-	-	-	-	-
7,265	7,759	3,113	-	5,304	1,005
1,676	79,947	66,231	23,844	9,531	424
9,206	586	8,231	-	-	-
229	17,713	1,597	-	3,127	58
-	68	-	-	-	-
64	-	1,187	1	13	529
509	185	374	-	5	1,039
3,865	8	60,168	-	35,875	-
-	-	-	-	171,655	-
$ 135,974	$ 262,351	$ 313,711	$ 23,845	$ 320,760	$ 18,209
$ 1,304	$ 58,791	$ 20,800	$ 12,494	$ 7,409	$ 570
7,265	7,759	3,113	-	5,304	1,005
7,992	1,257	18,511	5,168	153	256
-	-	-	-	3,918	-
5,623	19,476	-	1,493	4,670	-
3,865	539	60,689	-	35,877	-
3,961	35	1,608	-	-	12
-	-	-	-	-	-
-	-	-	-	-	-
30,010	87,857	104,721	19,155	57,331	1,843
580	190	1,662	1	18	1,123
-	3,143	302	3,430	40,505	10,147
-	107,041	-	-	-	-
73,472	8,112	113,370	1,259	50,955	2,543
-	33,488	-	-	18,285	-
1,059	3,506	-	-	456	1,150
31,538	15,754	90,517	-	151,038	1,369
-	3,260	3,139	-	2,172	34
(685)	-	-	-	-	-
105,964	174,494	208,990	4,690	263,429	16,366
$ 135,974	$ 262,351	$ 313,711	$ 23,845	$ 320,760	$ 18,209

(continued on next page)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
ASSETS				
Cash and Cash Equivalents	$ 135,260	$ 3,101	$ 36,181	$ 8
Investments	62,141	-	-	-
Custodial Assets	-	-	-	-
Securities Lending Collateral	-	-	-	-
Accounts and Interest Receivable (net)	49	-	12,742	-
Taxes Receivable (net)	-	-	-	-
Due from Other Funds	106,026	-	-	-
Due from Other Governments	-	-	-	-
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-	-
Loans Receivable (net)	-	-	-	-
Total Assets	$ 303,476	$ 3,101	$ 48,923	$ 8
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	$ 20	$ -	$ -	$ -
Obligations Under Securities Lending	-	-	-	-
Due to Other Funds	7,520	-	-	-
Due to Component Units	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Custodial Liabilities	206	-	44	-
Contracts, Mortgages, and Notes Payable	-	-	-	-
Advances from Other Funds	-	-	-	-
Total Liabilities	7,746	-	44	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted by:				
Federal Laws and Regulations	-	-	-	-
Oregon Constitution	173,595	-	-	-
Enabling Legislation	-	-	-	-
Debt Covenants	122,135	3,101	48,879	8
Donors and Other External Party	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	295,730	3,101	48,879	8
Total Liabilities and Fund Balances	$ 303,476	$ 3,101	$ 48,923	$ 8

Capital Projects	Permanent Funds	Total
$ 44,667	$ 16,494	$ 882,565
-	-	263,271
-	-	3,870
-	1,096	38,323
511	99	245,546
-	-	18,023
3,669	-	143,995
-	-	68
-	-	2,553
-	-	2,183
-	-	324,985
-	-	173,565
$ 48,847	$ 17,689	$ 2,098,947
$ 5,590	$ 79	$ 135,775
-	1,096	38,323
-	-	56,130
-	-	3,918
-	-	35,599
1,900	-	329,626
-	-	6,598
-	-	3,000
-	-	67
7,490	1,175	609,036
-	14,511	19,001
342	71	86,125
-	-	297,813
399	1,932	312,452
38,243	-	342,043
-	-	7,583
2,650	-	411,299
-	-	14,557
(277)	-	(962)
41,357	16,514	1,489,911
$ 48,847	$ 17,689	$ 2,098,947

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2013
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Public Utilities Taxes	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	18,810	2,901	82,164
Federal	7,348	17,723	180,360
Charges for Services	9,283	572	16,660
Fines, Forfeitures, and Penalties	30	1,317	26,538
Rents and Royalties	-	-	2,279
Investment Income	102	447	916
Sales	48	1,595	696
Donations and Grants	-	11,219	1,002
Contributions to Permanent Funds	-	-	-
Pension Bond Debt Service Assessments	-	-	-
Other	858	739	15,367
Total Revenues	36,479	36,513	325,982
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	1,748
Public Safety	-	2,094	308,102
Economic and Community Development	-	54,027	-
Natural Resources	40,099	33	-
Transportation	-	-	9,019
Consumer and Business Services	-	-	-
Administration	-	2,394	870
Legislative	-	-	-
Judicial	-	-	43,535
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	40
Other Debt Service	-	59	216
Total Expenditures	40,099	58,607	363,530
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,620)	(22,094)	(37,548)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	4,853	28,779	97,007
Transfers to Other Funds	(947)	(12,829)	(95,838)
Insurance Recoveries	-	-	7
Long-term Debt Issued	-	10,246	7,155
Debt Issuance Premium	-	-	467
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	3,906	26,196	8,798
Net Change in Fund Balances	286	4,102	(28,750)
Fund Balances - Beginning	26,402	58,743	251,172
Prior Period Adjustments	-	2,453	(3,932)
Fund Balances - Beginning - As Restated	26,402	61,196	247,240
Change in Inventories	(17)	26	(96)
Fund Balances - Ending	$ 26,671	$ 65,324	$ 218,394

Special Revenue Funds					
Consumer Protection	Education Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ 52,464	$ -	$ -	$ -	$ 33,317	$ -
-	-	72,861	-	-	-
-	-	50,241	-	-	-
35,100	564	28,001	-	6,802	-
92,867	258	2,482	-	445	-
4,337	443,099	198,907	1,440,202	113,511	2,671
2,066	4,576	18,630	649	7,146	1,266
1,201	-	8,692	-	216	-
-	117	-	-	-	298
514	(1,367)	7,801	8	8,141	74
30	197	267	-	-	660
-	8,192	669	-	7,638	193
-	-	-	-	-	-
-	-	-	-	-	-
1,099	813	3,550	17,108	801	143
189,678	456,449	392,101	1,457,967	178,017	5,305
2,247	421,137	37,264	175,411	-	-
-	-	-	1,277,789	-	-
-	-	-	-	-	-
-	-	155,459	935	178,916	2,074
2,886	-	-	-	227	-
13	-	-	-	-	-
126,214	-	133,082	-	5,274	-
25,405	22,810	882	26	1	4,423
-	-	-	-	-	2,678
-	-	-	-	-	-
-	-	-	-	-	-
-	1,650	-	-	-	14
-	2,947	-	-	173	1
-	192	-	-	30	8
156,765	448,736	326,687	1,454,161	184,621	9,198
32,913	7,713	65,414	3,806	(6,604)	(3,893)
10,313	370,556	11,135	-	15,836	2,730
(33,256)	(491,850)	(73,671)	(1,602)	(1,589)	(765)
1	-	-	-	-	-
-	16,172	-	-	5,123	-
-	1,783	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(22,942)	(103,339)	(62,536)	(1,602)	19,370	1,965
9,971	(95,626)	2,878	2,204	12,766	(1,928)
96,036	313,602	203,382	2,570	250,669	18,356
(35)	(43,482)	2,719	-	-	(2)
96,001	270,120	206,101	2,570	250,669	18,354
(8)	-	11	(84)	(6)	(60)
$ 105,964	$ 174,494	$ 208,990	$ 4,690	$ 263,429	$ 16,366

(continued on next page)

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2013
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
REVENUES				
Public Utilities Taxes	$ -	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-	-
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	10,811	2,819	-	-
Charges for Services	-	-	-	-
Fines, Forfeitures, and Penalties	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	3,109	59	453	27
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Contributions to Permanent Funds	-	-	-	-
Pension Bond Debt Service Assessments	-	-	6,196	-
Other	-	-	-	-
Total Revenues	13,920	2,878	6,649	27
EXPENDITURES				
Current:				
Education	-	-	-	-
Human Resources	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	126,461	3,970	64,370	69,900
Interest	137,523	9,022	127,513	3,136
Other Debt Service	434	836	3	-
Total Expenditures	264,418	13,828	191,886	73,036
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,498)	(10,950)	(185,237)	(73,009)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	289,626	10,189	183,414	73,015
Transfers to Other Funds	(37,916)	-	(68)	-
Insurance Recoveries	-	-	-	-
Long-term Debt Issued	-	-	-	-
Debt Issuance Premium	-	35,388	-	-
Refunding Debt Issued	59,373	152,946	-	-
Refunded Debt Payment to Escrow Agent	(59,042)	(187,501)	-	-
Total Other Financing Sources (Uses)	252,041	11,022	183,346	73,015
Net Change in Fund Balances	1,543	72	(1,891)	6
Fund Balances - Beginning	294,187	3,029	50,796	2
Prior Period Adjustments	-	-	(26)	-
Fund Balances - Beginning - As Restated	294,187	3,029	50,770	2
Change in Inventories	-	-	-	-
Fund Balances - Ending	$ 295,730	$ 3,101	$ 48,879	$ 8

Capital Projects	Permanent Funds	Total
$ -	$ -	$ 85,781
-	-	72,861
-	-	50,241
-	-	70,467
-	-	199,927
14,698	-	2,436,486
-	-	60,848
-	-	37,994
-	-	2,694
277	116	20,677
19	-	3,512
-	-	28,913
-	227	227
-	-	6,196
1,915	397	42,790
16,909	740	3,119,614
-	-	636,059
-	1,701	1,281,238
-	-	310,196
-	-	391,411
-	117	43,362
-	-	9,032
-	7	264,577
-	-	56,811
-	-	2,678
-	-	43,535
88,583	-	88,583
-	-	266,365
-	-	280,355
-	-	1,778
88,583	1,825	3,675,980
(71,674)	(1,085)	(556,366)
43,393	871	1,141,717
(2,579)	(12,690)	(765,600)
-	-	8
16,029	-	54,725
1,001	-	38,639
-	-	212,319
-	-	(246,543)
57,844	(11,819)	435,265
(13,830)	(12,904)	(121,101)
54,195	29,476	1,652,617
992	(58)	(41,371)
55,187	29,418	1,611,246
-	-	(234)
$ 41,357	$ 16,514	$ 1,489,911

Nonmajor Enterprise Funds

Enterprise Funds account for goods and services provided to the general public on a continuous basis, either when all or most of the cost involved in operating the enterprise is intended to be financed from user charges, or when periodic measurement of the results of operations is appropriate for management control or accountability.

Veterans' Loan Fund

This fund accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

Energy Loan Fund

This fund accounts for activities to provide low-interest loans for renewable energy resource and energy conservation projects. Funding is from the issuance of bonds that are repaid from the interest and principal payments on loans.

Business Development Fund

This fund accounts for resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.

Special Public Works Fund

This fund accounts for loans and grants to local governments for construction of infrastructure required to support needed public services. The Special Public Works Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

State Hospitals Fund

This fund accounts for the operations of State hospitals and State operated residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons. Clinical programs include the adult psychiatric program, the child and adolescent treatment program, the forensic and correctional treatment program, and the geropsychiatric treatment and medical service program.

Liquor Control Fund

This fund accounts for the operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.

Veterans' Home Fund

This fund accounts for activities of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.

Water/Wastewater Financing Fund

This fund accounts for loans and grants to municipalities to improve compliance with federal and State of Oregon water quality standards. The Water/Wastewater Financing Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

Safe Drinking Water

This fund accounts for activities of the Safe Drinking Water financing program, which provides low-cost financing for construction and/or improvements of public and private water systems.

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. The fund includes programs within the following state agencies: the Business Development Department, the Department of Administrative Services, the Department of Corrections, the Department of Environmental Quality, the Department of Forestry, the Judicial Department, the Legislative Administration Committee, the Office of the State Treasurer, Oregon Corrections Enterprises, the Oregon Facilities Authority, the Oregon Health Authority, the Public Employees Retirement System, and the Water Resources Department.

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 91,182	$ -	$ 18,627	$ 81,185
Cash and Cash Equivalents - Restricted	1,806	35,362	-	-
Investments	7,011	-	-	-
Securities Lending Collateral	13,766	-	1,238	5,395
Accounts and Interest Receivable (net)	1,345	834	109	5,497
Due from Other Funds	72	1,080	-	50
Inventories	-	-	-	-
Prepaid Items	2	-	-	-
Foreclosed and Deeded Property	1,087	-	-	-
Total Current Assets	116,271	37,276	19,974	92,127
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	134,842	4	-	2,844
Deferred Charges	1,218	1,749	-	888
Advances to Other Funds	-	108,420	-	-
Net Contracts, Notes, and Other Receivables	1,527	-	-	-
Loans Receivable (net)	197,333	99,822	21,766	191,426
Capital Assets:				
Land	-	-	-	-
Buildings, Property, and Equipment	8,984	264	-	-
Construction in Progress	-	-	-	-
Infrastructure	-	-	-	-
Works of Art and Other Nondepreciable Assets	627	-	-	-
Less Accumulated Depreciation and Amortization	(5,188)	(264)	-	-
Total Noncurrent Assets	339,343	209,995	21,766	195,158
Total Assets	455,614	247,271	41,740	287,285
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	2,251	-	-	-
Total Deferred Outflows of Resources	2,251	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	692	3,154	-	1,364
Obligations Under Securities Lending	13,766	-	1,238	5,395
Due to Other Funds	-	5	1	2
Unearned Revenue	-	932	2,166	-
Matured Bonds/COPs and Coupons Payable	75	-	-	-
Compensated Absences Payable	211	25	23	69
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	1,731	3,954	-	-
Contracts, Mortgages and Notes Payable	18	2	1	4
Bonds/COPs Payable	3,490	16,708	-	2,560
Total Current Liabilities	19,983	24,780	3,429	9,394
Noncurrent Liabilities:				
Compensated Absences Payable	114	14	13	37
Arbitrage Rebate Payable	18,357	-	-	-
Contracts, Mortgages, and Notes Payable	801	102	56	177
Bonds/COPs Payable	288,099	230,874	-	58,519
Net OPEB Obligation	112	13	7	23
Derivative Instrument Liabilities	2,251	-	-	-
Total Noncurrent Liabilities	309,734	231,003	76	58,756
Total Liabilities	329,717	255,783	3,505	68,150
NET POSITION				
Net Investment in Capital Assets	4,424	-	-	-
Restricted for:				
Natural Resource Programs	-	-	-	-
Debt Service	-	1,060	-	1,497
Capital Projects	-	-	-	-
Unrestricted	123,724	(9,572)	38,235	217,638
Total Net Position	$ 128,148	$ (8,512)	$ 38,235	$ 219,135

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 9,760	$ 30,270	$ 6,437	$ 28,475	$ 59,935	$ 122,051	$ 447,922
-	-	6,806	-	-	193	44,167
-	-	-	-	-	-	7,011
644	1,575	880	1,892	3,983	7,078	36,451
16,853	209	2,282	2,100	2,421	4,712	36,362
31,324	-	-	-	111	50	32,687
505	24,470	-	-	-	5,929	30,904
-	-	-	-	-	235	237
-	-	-	-	-	-	1,087
59,086	56,524	16,405	32,467	66,450	140,248	636,828
-	-	-	1,641	-	-	139,331
-	-	-	448	-	11	4,314
-	-	-	-	-	-	108,420
-	-	135	-	-	-	1,662
-	-	-	86,047	162,756	17,868	777,018
41	1,456	3,510	-	-	3,385	8,392
386,193	23,946	15,776	-	-	45,311	480,474
130	-	4,106	-	-	402	4,638
2,048	-	-	-	-	-	2,048
-	-	60	-	-	-	687
(33,435)	(12,836)	(4,895)	-	-	(25,940)	(82,558)
354,977	12,566	18,692	88,136	162,756	41,037	1,444,426
414,063	69,090	35,097	120,603	229,206	181,285	2,081,254
-	-	-	-	-	-	2,251
-	-	-	-	-	-	2,251
3,423	17,036	2,998	1,721	23	3,542	33,953
644	1,575	880	1,892	3,983	7,078	36,451
37,102	12,362	72	-	2	1,614	51,160
-	106	24	-	-	-	3,228
-	-	-	-	-	193	268
6,207	675	4	27	18	761	8,020
-	-	-	-	-	14,090	14,090
2	468	-	-	-	13	6,168
578	51	1	2	1	317	975
-	-	-	1,440	-	1,428	25,626
47,956	32,273	3,979	5,082	4,027	29,036	179,939
3,342	363	2	14	10	287	4,196
-	-	-	-	-	-	18,357
25,320	2,244	201	72	55	3,468	32,496
-	-	-	33,376	-	1,650	612,518
3,567	318	2	8	5	252	4,307
-	-	-	-	-	-	2,251
32,229	2,925	205	33,470	70	5,657	674,125
80,185	35,198	4,184	38,552	4,097	34,693	854,064
354,976	12,566	18,557	-	-	18,997	409,520
-	-	-	-	-	114	114
-	-	-	893	-	-	3,450
-	-	5,021	-	-	-	5,021
(21,098)	21,326	7,335	81,158	225,109	127,481	811,336
$ 333,878	$ 33,892	$ 30,913	$ 82,051	$ 225,109	$ 146,592	$ 1,229,441

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
OPERATING REVENUES:				
Licenses and Fees	$ 132	$ 321	$ -	$ -
Federal	-	-	329	-
Charges for Services	1,599	197	39	-
Fines, Forfeitures, and Penalties	-	1,173	-	-
Rents and Royalties	710	-	6	-
Sales	-	-	-	-
Loan Interest Income	8,897	9,740	1,161	8,086
Other	344	41	-	-
Gain (Loss) on Foreclosed Property	54	398	-	-
Total Operating Revenues	11,736	11,870	1,535	8,086
OPERATING EXPENSES:				
Salaries and Wages	4,803	672	466	1,370
Services and Supplies	4,217	728	70	308
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	-	995
Special Payments	-	1,190	28	-
Bond and COP Interest	6,119	10,017	-	3,138
Other Debt Service	119	-	-	198
Depreciation and Amortization	99	-	-	-
Bad Debt Expense	-	5,260	125	24
Total Operating Expenses	15,357	17,867	689	6,033
Operating Income (Loss)	(3,621)	(5,997)	846	2,053
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	2,163	227	97	435
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	-
Insurance Recovery	-	-	-	-
Loan Interest Expense	-	-	-	-
Other Interest Expense	(54)	(7)	(4)	(12)
Other Nonoperating Items	(42)	-	(3)	(14)
Total Nonoperating Revenues (Expenses)	2,067	220	90	409
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(1,554)	(5,777)	936	2,462
Capital Contributions	-	-	-	-
Transfers from Other Funds	14	1,080	-	10,000
Transfers to Other Funds	(210)	(324)	(57)	(11,472)
Change in Net Position	(1,750)	(5,021)	879	990
Net Position - Beginning	130,735	(3,385)	37,415	218,330
Prior Period Adjustments	(837)	(106)	(59)	(185)
Net Position - Beginning - As Restated	129,898	(3,491)	37,356	218,145
Net Position - Ending	$ 128,148	$ (8,512)	$ 38,235	$ 219,135

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 4,494	$ -	$ -	$ -	$ 2,978	$ 7,925
-	-	5,710	-	-	-	6,039
72,752	-	8,554	-	-	237,666	320,807
-	439	-	-	-	16	1,628
38	-	-	-	-	1	755
74	497,674	-	-	-	21,102	518,850
-	-	-	3,774	4,061	668	36,387
1,068	306	28	-	-	1,553	3,340
-	-	-	-	-	-	452
73,932	502,913	14,292	3,774	4,061	263,984	896,183
197,701	16,061	134	529	362	20,137	242,235
46,036	53,159	12,568	188	26	33,534	150,834
-	242,771	-	-	-	14,828	257,599
-	53,806	-	1,245	180	361	56,587
180	282	-	-	2,620	193,363	197,663
-	-	-	1,583	-	129	20,986
-	-	-	58	-	3	378
8,272	911	397	-	-	1,857	11,536
-	-	-	-	-	-	5,409
252,189	366,990	13,099	3,603	3,188	264,212	943,227
(178,257)	135,923	1,193	171	873	(228)	(47,044)
-	-	88	142	318	394	3,864
-	16,388	-	-	-	-	16,388
(59)	1	-	-	-	(76)	(134)
-	6	-	-	-	-	6
-	-	-	-	-	(23)	(23)
(1,712)	(152)	(2)	(5)	(4)	(179)	(2,131)
-	-	(3)	(5)	(10)	(13)	(90)
(1,771)	16,243	83	132	304	103	17,880
(180,028)	152,166	1,276	303	1,177	(125)	(29,164)
20	-	108	-	-	-	128
254,466	-	14	11,000	10,128	216	286,918
(8,073)	(149,172)	(5)	(3,530)	(16)	(3,822)	(176,681)
66,385	2,994	1,393	7,773	11,289	(3,731)	81,201
294,289	33,244	29,554	74,353	213,877	153,077	1,181,489
(26,796)	(2,346)	(34)	(75)	(57)	(2,754)	(33,249)
267,493	30,898	29,520	74,278	213,820	150,323	1,148,240
$ 333,878	$ 33,892	$ 30,913	$ 82,051	$ 225,109	$ 146,592	$ 1,229,441

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,085	$ 2,902	$ 50
Receipts from Other Funds for Services	1,504	6	1,495
Loan Principal Repayments	47,972	18,663	4,703
Loan Interest Received	11,509	11,333	1,139
Payments to Employees for Services	(4,915)	(662)	(479)
Payments to Suppliers	(2,598)	(1,421)	(62)
Payments to Other Funds for Services	(656)	(250)	(45)
Claims Paid	-	-	-
Loans Made	(29,957)	(23,367)	(2,804)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	2,176	(1,376)	7
Net Cash Provided (Used) in Operating Activities	26,120	5,828	4,004
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	-	12,865	-
Principal Payments on Bonds/COPS	(20,515)	(16,828)	-
Principal Payments on Loans	(18)	(2)	(1)
Interest Payments on Bonds/COPS	(6,128)	(10,640)	-
Interest on Loans	(54)	(7)	(4)
Bond/COP Issuance Costs	(904)	(95)	-
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	1,077	-
Transfers to Other Funds	(195)	(324)	(38)
Net Cash Provided (Used) in Noncapital Financing Activities	(27,814)	(13,954)	(43)
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Loan Proceeds	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	(59)	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(59)	-	-
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	14,500	-	-
Interest on Investments and Cash Balances	2,234	227	92
Interest Income from Securities Lending	67	-	5
Interest Expense from Securities Lending	(42)	-	(3)
Net Cash Provided (Used) in Investing Activities	16,759	227	94
Net Increase (Decrease) in Cash and Cash Equivalents	15,006	(7,899)	4,055
Cash and Cash Equivalents - Beginning	212,824	43,265	14,572
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 227,830	$ 35,366	$ 18,627

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 8,650	$ 502,645	$ 13,326	$ -	$ -	$ 227,413	$ 756,071
-	53,767	-	-	-	-	36,033	92,805
25,577	-	-	-	13,192	16,436	1,103	127,646
7,991	-	-	-	4,158	4,602	629	41,361
(1,419)	(209,242)	(16,106)	(228)	(537)	(375)	(19,991)	(253,954)
(97)	(71,931)	(293,945)	(9,979)	(89)	(15)	(13,294)	(393,431)
(217)	(3,001)	(4,215)	(865)	(102)	(10)	(14,262)	(23,623)
-	-	-	-	-	-	(172,758)	(172,758)
(9,881)	-	-	-	(3,723)	(15,833)	(887)	(86,452)
(995)	-	(54,173)	-	(1,033)	(180)	(527)	(56,908)
-	915	(12)	28	-	-	(51,329)	(49,591)
20,959	(220,842)	134,194	2,282	11,866	4,625	(7,870)	(18,834)
-	-	-	-	-	-	-	12,865
(14,100)	-	-	-	(4,085)	-	-	(55,528)
(4)	(577)	(51)	(1)	(2)	(101)	(60)	(817)
(3,423)	-	-	-	(1,660)	-	-	(21,851)
(12)	(1,712)	(152)	(2)	(5)	(4)	(179)	(2,131)
-	-	-	-	-	-	-	(999)
-	-	16,391	-	-	-	-	16,391
-	-	6	-	-	-	-	6
10,000	227,320	-	14	11,000	10,079	166	259,656
(11,412)	(1)	(150,041)	(5)	(3,507)	-	(3,693)	(169,216)
(18,951)	225,030	(133,847)	6	1,741	9,974	(3,766)	38,376
-	-	-	-	-	-	(1,829)	(1,829)
-	-	-	-	-	-	(97)	(97)
-	-	-	-	-	-	1,083	1,083
-	-	-	-	-	-	(23)	(23)
-	(109)	(632)	(5,303)	-	-	(1,675)	(7,778)
-	-	1	-	-	-	-	1
-	-	-	108	-	-	-	108
-	(109)	(631)	(5,195)	-	-	(2,541)	(8,535)
-	-	-	-	-	-	-	14,500
412	-	-	83	134	301	512	3,995
23	-	-	5	8	17	22	147
(14)	-	-	(3)	(5)	(10)	(13)	(90)
421	-	-	85	137	308	521	18,552
2,429	4,079	(284)	(2,822)	13,744	14,907	(13,656)	29,559
81,600	6,002	30,554	16,065	16,372	45,028	135,903	602,185
-	(321)	-	-	-	-	(3)	(324)
$ 84,029	$ 9,760	$ 30,270	$ 13,243	$ 30,116	$ 59,935	$ 122,244	$ 631,420

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(In Thousands)
(continued from previous page)

	Veterans' Loan	Energy Loan	Business Development
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (3,621)	$ (5,997)	$ 846
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	99	-	-
Amortization of Bond/COP Issuance Costs	-	239	-
Amortization of Bond/COP Premium and Discount	17	(650)	-
Amortization of Deferred Charges	119	16	-
Bad Debt Expense	-	5,260	125
Interest Payments Reported as Operating Expense	6,128	10,640	-
Bond/COP Issuance Costs Reported as Operating Expense	904	94	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	118	1,684	(23)
Due from Other Funds	(4)	-	-
Inventories	-	-	-
Prepaid Items	6	-	-
Foreclosed and Deeded Property	821	802	-
Deferred Charges	-	(130)	-
Advances to Other Funds	-	(11,544)	-
Loans Receivable	19,245	6,833	1,899
Accounts and Interest Payable	55	64	(32)
Due to Other Funds	-	5	-
Due to Other Governments	-	-	-
Unearned Revenue	2,497	(70)	1,172
Matured Bonds and COPS Payable	-	-	-
Compensated Absences Payable	(131)	-	9
Claims and Judgments Payable	-	-	-
Custodial Liabilities	(145)	(1,420)	7
Net OPEB Obligation	12	2	1
Total Adjustments	29,741	11,825	3,158
Net Cash Provided (Used) by Operating Activities	$ 26,120	$ 5,828	$ 4,004
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ (21)	$ -	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Foreclosed Property	1,807	-	-
Sale of Capital Assets on Contract	-	1,200	-

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 2,053	$ (178,257)	$ 135,923	$ 1,193	$ 171	$ 873	$ (228)	$ (47,044)
-	8,272	911	397	-	-	1,857	11,536
86	-	-	-	34	-	-	359
21	-	-	-	4	-	(56)	(664)
112	-	-	-	24	-	92	363
24	-	-	-	-	-	-	5,409
3,423	-	-	-	1,660	-	97	21,948
-	-	-	-	-	-	-	998
865	(10,556)	44	(836)	384	540	104	(7,676)
(50)	(5,098)	-	(9)	-	-	37	(5,124)
-	12	(3,050)	-	-	-	(440)	(3,478)
-	624	-	-	-	-	101	731
-	-	-	-	-	-	-	1,623
-	-	-	-	-	-	11	(119)
-	-	-	-	100	-	-	(11,444)
14,737	-	-	-	8,623	3,223	216	54,776
(354)	(8,126)	460	1,623	857	(17)	(2,479)	(7,949)
-	(27,898)	-	12	-	2	(241)	(28,120)
13	-	-	-	-	-	(3)	10
-	-	(7)	(101)	-	-	-	3,491
-	-	-	-	-	-	2	2
26	(329)	(95)	2	8	3	14	(493)
-	-	-	-	-	-	131	131
-	-	(34)	-	-	-	(7,120)	(8,712)
3	514	42	1	1	1	35	612
18,906	(42,585)	(1,729)	1,089	11,695	3,752	(7,642)	28,210
$ 20,959	$ (220,842)	$ 134,194	$ 2,282	$ 11,866	$ 4,625	$ (7,870)	$ (18,834)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (21)
-	20	-	-	-	-	-	20
-	-	-	-	-	-	-	1,807
-	-	-	-	-	-	-	1,200

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Internal Service Funds

Internal Service Funds account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis.

Central Services Fund

This fund accounts for activities to provide various services to state agencies. These services include accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.

Legal Services Fund

This fund accounts for activities of the Department of Justice Attorney General's office to represent and advise the State's elected and appointed officials, agencies, boards, and commissions.

Banking Services Fund

This fund accounts for activities of the Office of the State Treasurer to provide banking, investment, and debt management services to state agencies.

Audit Services Fund

This fund accounts for activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.

Forestry Services Fund

This fund accounts for activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment, and aircraft support for operating programs and other state agencies.

Health Services Fund

This fund accounts, primarily, for the activities of the Public Employees' Benefit Board, through the Oregon Health Authority, to provide health care benefits and related services for the employees of state agencies.

Other Internal Service Funds

This fund accounts for the sale of goods and services to other governmental units through activities not specifically accounted for in another internal service fund.

Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(In Thousands)

	Central Services	Legal Services	Banking Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 55,220	$ 8,457	$ 8,872
Securities Lending Collateral	19,822	562	590
Accounts and Interest Receivable (net)	63,276	6,429	2,187
Due from Other Funds	33	3,830	-
Inventories	1,043	110	8
Prepaid Items	1,225	-	-
Total Current Assets	140,619	19,388	11,657
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	4,886	-	-
Investments - Restricted	84,444	-	-
Deferred Charges	607	-	-
Advances to Other Funds	616	-	-
Net Contracts, Notes, and Other Receivables	-	11	-
Loans Receivable (net)	22	-	-
Capital Assets:			
Land	9,343	-	-
Buildings, Property, and Equipment	552,239	5,405	2,828
Construction in Progress	15,544	26	-
Infrastructure	637	-	-
Works of Art and Other Nondepreciable Assets	167	-	-
Less Accumulated Depreciation and Amortization	(314,499)	(3,592)	(2,708)
Total Noncurrent Assets	354,006	1,850	120
Total Assets	494,625	21,238	11,777
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	21,267	725	549
Obligations Under Securities Lending	19,822	562	590
Due to Other Funds	52	288	-
Unearned Revenue	636	352	-
Compensated Absences Payable	3,311	3,141	554
Claims and Judgments Payable	29,632	-	-
Custodial Liabilities	1,745	5	-
Contracts, Mortgages and Notes Payable	409	185	32
Bonds/COPs Payable	12,887	-	-
Obligations Under Capital Lease	1,814	13	-
Total Current Liabilities	91,575	5,271	1,725
Noncurrent Liabilities:			
Compensated Absences Payable	1,783	1,691	299
Claims and Judgments Payable	110,514	-	-
Custodial Liabilities	3,271	-	-
Contracts, Mortgages, and Notes Payable	9,200	8,110	1,395
Bonds/COPs Payable	91,742	-	-
Obligations Under Capital Lease	928	34	-
Advances from Other Funds	152	-	-
Net OPEB Obligation	1,084	834	116
Total Noncurrent Liabilities	218,674	10,669	1,810
Total Liabilities	310,249	15,940	3,535
NET POSITION			
Net investment in capital assets	156,058	1,792	120
Unrestricted	28,318	3,506	8,122
Total Net Position	$ 184,376	$ 5,298	$ 8,242

Audit Services	Forestry Services	Health Services	Other	Total
$ 2,163	$ 5,696	$ 365,001	$ 3,697	$ 449,106
144	379	23,909	246	45,652
224	847	-	128	73,091
-	-	-	22	3,885
-	378	-	9	1,548
66	-	-	-	1,291
2,597	7,300	388,910	4,102	574,573
-	-	-	-	4,886
-	-	-	-	84,444
-	-	-	-	607
-	-	-	-	616
-	-	-	-	11
-	-	-	-	22
-	-	-	-	9,343
444	20,486	-	6,415	587,817
-	-	-	-	15,570
-	-	-	-	637
-	-	-	-	167
(444)	(14,900)	-	(3,808)	(339,951)
-	5,586	-	2,607	364,169
2,597	12,886	388,910	6,709	938,742
31	340	21,194	41	44,147
144	379	23,909	246	45,652
-	-	-	136	476
-	-	-	-	988
268	99	-	-	7,373
-	-	-	-	29,632
-	-	18	-	1,768
19	6	5	-	656
-	-	-	-	12,887
-	-	-	-	1,827
462	824	45,126	423	145,406
144	53	-	-	3,970
-	-	66,537	-	177,051
-	-	-	-	3,271
827	250	225	-	20,007
-	-	-	-	91,742
-	-	-	-	962
-	-	-	-	152
87	41	4	-	2,166
1,058	344	66,766	-	299,321
1,520	1,168	111,892	423	444,727
-	5,586	-	2,607	166,163
1,077	6,132	277,018	3,679	327,852
$ 1,077	$ 11,718	$ 277,018	$ 6,286	$ 494,015

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Charges for Services	$ 202,732	$ 67,923	$ 18,291
Fines, Forfeitures, and Penalties	-	5	-
Rents and Royalties	39,446	-	-
Sales	1,998	22	-
Other	1,544	45	502
Total Operating Revenues	245,720	67,995	18,793
OPERATING EXPENSES:			
Salaries and Wages	59,531	54,766	10,022
Services and Supplies	131,104	10,425	6,292
Cost of Goods Sold	8,482	-	-
Special Payments	-	-	-
Bond and COP Interest	4,789	-	-
Other Debt Service	72	-	-
Depreciation and Amortization	24,483	538	156
Total Operating Expenses	228,461	65,729	16,470
Operating Income (Loss)	17,259	2,266	2,323
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	740	-	-
Gain (Loss) on Disposition of Assets	(351)	-	-
Insurance Recovery	284	-	-
Loan Interest Income	40	-	-
Loan Interest Expense	(1,013)	(4)	-
Other Interest Expense	(622)	(548)	(94)
Other Nonoperating Items	(25)	-	-
Total Nonoperating Revenues (Expenses)	(947)	(552)	(94)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	16,312	1,714	2,229
Capital Contributions	-	-	-
Transfers from Other Funds	2,958	-	549
Transfers to Other Funds	(211,085)	(2,315)	(474)
Change in Net Position	(191,815)	(601)	2,304
Net Position - Beginning	402,473	14,484	7,397
Prior Period Adjustments	(26,282)	(8,585)	(1,459)
Net Position - Beginning - As Restated	376,191	5,899	5,938
Net Position - Ending	$ 184,376	$ 5,298	$ 8,242

Audit Services	Forestry Services	Health Services	Other	Total
$ 9,375	$ 2,588	$ 669,335	$ 1,386	$ 971,630
-	-	-	-	5
-	5,294	-	-	44,740
-	437	-	2	2,459
-	-	5,162	276	7,529
9,375	8,319	674,497	1,664	1,026,363
5,551	1,772	6,940	-	138,582
1,334	3,483	582,276	989	735,903
-	-	-	-	8,482
-	-	1,782	-	1,782
-	-	-	-	4,789
-	-	-	-	72
-	1,358	-	421	26,956
6,885	6,613	590,998	1,410	916,566
2,490	1,706	83,499	254	109,797
-	-	2,062	-	2,802
-	250	-	(8)	(109)
-	28	-	17	329
-	-	-	-	40
-	-	-	-	(1,017)
(56)	(17)	(15)	-	(1,352)
-	-	(68)	-	(93)
(56)	261	1,979	9	600
2,434	1,967	85,478	263	110,397
-	19	-	-	19
115	47	197,346	50	201,065
(2,591)	(1,072)	(5,806)	(227)	(223,570)
(42)	961	277,018	86	87,911
1,984	11,018	-	6,200	443,556
(865)	(261)	-	-	(37,452)
1,119	10,757	-	6,200	406,104
$ 1,077	$ 11,718	$ 277,018	$ 6,286	$ 494,015

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(In Thousands)

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	$ 36,639	$ 5,811
Receipts from Other Funds for Services	188,668	67,120
Payments to Employees for Services	(65,291)	(56,737)
Payments to Suppliers	(84,311)	(6,980)
Payments to Other Funds for Services	(19,746)	(8,276)
Claims Paid	(7,709)	-
Other Receipts (Payments)	(27,579)	(689)
Net Cash Provided (Used) in Operating Activities	20,671	249
Cash Flows from Noncapital Financing Activities:		
Principal Payments on Loans	(210)	(185)
Interest Payments on Loans	(622)	(548)
Transfers from Other Funds	3,036	-
Transfers to Other Funds	(290,091)	(4)
Net Cash Provided (Used) in Noncapital Financing Activities	(287,887)	(737)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Bond/COP Sales	38,251	-
Principal Payments on Bonds/COPS	(51,999)	-
Interest Payments on Bonds/COPS	(4,349)	-
Bond/COP Issuance Costs	(252)	-
Repayments on Advances Received	37	-
Interest on Advances	40	-
Principal Payments on Loans	(26)	-
Interest Payments on Loans	(1,019)	(5)
Acquisition of Capital Assets	(20,594)	(483)
Proceeds from Disposition of Capital Assets	551	-
Insurance Recoveries for Capital Assets	268	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(39,092)	(488)
Cash Flows from Investing Activities:		
Purchases of Investments	(44,697)	-
Proceeds from Sales and Maturities of Investments	33,481	-
Interest on Investments and Cash Balances	3,682	-
Interest Income from Securities Lending	40	-
Interest Expense from Securities Lending	(25)	-
Net Cash Provided (Used) in Investing Activities	(7,519)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(313,827)	(976)
Cash and Cash Equivalents - Beginning	373,933	9,536
Prior Period Adjustments Restating Beginning Cash Balances	-	(103)
Cash and Cash Equivalents - Ending	$ 60,106	$ 8,457

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ -	$ -	$ -	$ 684,243	$ -	$ 726,693
18,817	9,519	8,167	-	1,480	293,771
(10,379)	(5,769)	(1,859)	(7,002)	(6)	(147,043)
(4,971)	(646)	(2,942)	(570,779)	(1,065)	(671,694)
(1,315)	(863)	(725)	(8,504)	-	(39,429)
-	-	-	5,070	-	(2,639)
-	-	-	3,448	277	(24,543)
2,152	2,241	2,641	106,476	686	135,116
(32)	(19)	(6)	(5)	-	(457)
(94)	(56)	(16)	(15)	-	(1,351)
549	115	47	262,058	50	265,855
(24)	(2,344)	(997)	(5,507)	(124)	(299,091)
399	(2,304)	(972)	256,531	(74)	(35,044)
-	-	-	-	-	38,251
-	-	-	-	-	(51,999)
-	-	-	-	-	(4,349)
-	-	-	-	-	(252)
-	-	-	-	-	37
-	-	-	-	-	40
-	-	-	-	-	(26)
-	-	-	-	-	(1,024)
(78)	-	(1,935)	-	(1,006)	(24,096)
-	-	256	-	28	835
-	-	28	-	17	313
(78)	-	(1,651)	-	(961)	(42,270)
-	-	-	-	-	(44,697)
-	-	-	-	-	33,481
-	-	-	1,994	-	5,676
-	-	-	-	-	40
-	-	-	-	-	(25)
-	-	-	1,994	-	(5,525)
2,473	(63)	18	365,001	(349)	52,277
6,399	2,226	5,678	-	4,046	401,818
-	-	-	-	-	(103)
$ 8,872	$ 2,163	$ 5,696	$ 365,001	$ 3,697	$ 453,992

(continued on next page)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(In Thousands)

(continued from previous page)

	Central Services	Legal Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 17,259	$ 2,266
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	24,483	538
Amortization of Bond/COP Premium and Discount	(871)	-
Amortization of Deferred Charges	1,445	-
Interest Payments Reported as Operating Expense	4,349	-
Bond/COP Issuance Costs Reported as Operating Expense	252	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(1,607)	108
Due from Other Funds	18	(104)
Inventories	187	69
Prepaid Items	(237)	-
Deferred Charges	(116)	-
Net Contracts, Notes, and Other Receivables	78	2
Loans Receivable	(5)	-
Accounts and Interest Payable	1,427	(2,289)
Due to Other Funds	2	300
Unearned Revenue	(17,752)	(915)
Compensated Absences Payable	200	121
Claims and Judgments Payable	20,513	-
Custodial Liabilities	(29,144)	44
Contracts, Mortgages, and Notes Payable	42	-
Net OPEB Obligation	148	109
Total Adjustments	3,412	(2,017)
Net Cash Provided (Used) by Operating Activities	$ 20,671	$ 249
Noncash Investing and Capital and Related Financing Activities:		
Net Change in Fair Value of Investments	$ (2,685)	$ -
Capital Assets Transferred from Governmental Funds	-	-
Advanced Debt Refunding Deposited with Escrow Agent	38,030	-

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ 2,323	$ 2,490	$ 1,706	$ 83,499	$ 254	$ 109,797
156	-	1,358	-	421	26,956
-	-	-	-	-	(871)
-	-	-	-	-	1,445
-	-	-	-	-	4,349
-	-	-	-	-	252
(100)	144	(152)	16,965	94	15,452
-	-	-	-	(22)	(108)
4	-	(159)	-	(1)	100
-	(45)	-	-	-	(282)
-	-	-	-	-	(116)
-	-	-	-	-	80
-	-	-	-	-	(5)
(345)	(368)	(92)	9,374	(53)	7,654
-	-	-	-	-	302
-	-	-	-	-	(18,667)
98	8	(25)	-	-	402
-	-	-	(3,384)	-	17,129
-	-	-	18	(1)	(29,083)
-	-	-	-	-	42
16	12	5	4	(6)	288
(171)	(249)	935	22,977	432	25,319
$ 2,152	$ 2,241	$ 2,641	$ 106,476	$ 686	$ 135,116
$ -	$ -	$ -	$ -	$ -	$ (2,685)
-	-	20	-	-	20
-	-	-	-	-	38,030

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Fiduciary Funds

Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

Pension trust funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of retirement, disability, and death benefits to members of the retirement system.

Public Employees Defined Benefit Pension Plan Fund

This fund accounts for the activities of the defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. Also included in this fund are the activities of the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003, as well as inactive PERS members who return to employment following a six-month or greater break in service, participate in the OPSRP pension program. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238, and Section 401(a) of the Internal Revenue Code.

Individual Account Program Defined Contribution Pension Plan Fund

This fund accounts for the activities of the defined contribution portion of the Oregon Public Service Retirement Plan (OPSRP). Beginning January 1, 2004, PERS member contributions, account earnings and losses, as well as administrative costs of the plan, are reflected in this fund. The OPSRP is administered by the Public Employees Retirement System.

Other Employee Benefit Trust Funds

Other employee benefit trust funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of postemployment healthcare benefits and deferred compensation to members of the retirement system.

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

This fund accounts for the activities of the RHIA cost-sharing, multiple-employer other postemployment benefit (OPEB) plan administered by PERS for units of state government, political subdivisions, community colleges, and school districts. The RHIA is a defined benefit OPEB plan established pursuant to section 401(h) of the Internal Revenue Code. The plan authorizes a payment of up to $60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

This fund accounts for the activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to Section 401(h) of the Internal Revenue Code. The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Deferred Compensation Plan Fund

This fund accounts for the activities of the Oregon Savings Growth Plan, an Internal Revenue Code Section 457 deferred compensation plan, offered to employees of the State and administered by the Public Employees Retirement System.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2013
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	$ 3,398,385	$ 337,606
Investments		
Fixed Income	12,971,255	1,191,544
Public Equity	21,365,669	1,893,163
Real Estate	6,824,051	626,860
Private Equity	13,113,982	1,204,655
Alternative Equity	572,009	52,545
Opportunity Portfolio	740,522	68,025
Total Investments	55,587,488	5,036,792
Securities Lending Collateral	2,149,201	197,531
Receivables:		
Employer Contributions	23,319	-
Plan Member Contributions	-	7,648
Interest and Dividends	303,100	27,843
Member Loans	-	-
Investment Sales	2,549,515	223,285
Transitional Liability	613,561	-
From Other Funds	1,499	4,437
Total Receivables	3,490,994	263,213
Prepaid Items	5,016	409
Capital Assets (net of $14,438 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	36,743	356
Total Assets	64,668,771	5,835,907
LIABILITIES		
Accounts and Interest Payable	3,912,414	331,159
Obligations Under Securities Lending	2,154,453	198,014
Due to Other Funds	4,848	948
Unearned Revenue	389	-
Custodial Liabilities	111,180	15,851
Contracts, Mortgages, and Notes Payable	3,672	-
Bonds/COPs Payable	2,490	-
Net OPEB Obligation	412	90
Total Liabilities	6,189,858	546,062
NET POSITION		
Restricted - Held in Trust for:		
Pension Benefits	58,478,913	5,289,845
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Position	$ 58,478,913	$ 5,289,845

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 22,659	$ 566	$ 61,344	$ 3,820,560
70,486	854	220,144	14,454,283
111,990	1,356	983,022	24,355,200
37,082	449	-	7,488,442
71,262	863	-	14,390,762
3,108	38	-	627,700
4,024	49	-	812,620
297,952	3,609	1,203,166	62,129,007
11,702	144	13	2,358,591
1,386	136	-	24,841
-	-	-	7,648
1,647	20	340	332,950
-	-	8,311	8,311
13,214	176	93	2,786,283
-	-	-	613,561
410	1	-	6,347
16,657	333	8,744	3,779,941
24	-	-	5,449
-	-	-	944
-	-	-	37,099
348,994	4,652	1,273,267	72,131,591
19,572	237	580	4,263,962
11,730	144	13	2,364,354
106	31	151	6,084
-	-	547	936
-	-	-	127,031
-	-	-	3,672
-	-	-	2,490
1	1	13	517
31,409	413	1,304	6,769,046
-	-	-	63,768,758
317,585	4,239	-	321,824
-	-	1,271,963	1,271,963
$ 317,585	$ 4,239	$ 1,271,963	$ 65,362,545

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2013
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ADDITIONS		
Contributions:		
Employer	$ 834,162	$ -
Plan Members	16,986	510,796
Total Contributions	851,148	510,796
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	5,784,957	526,296
Interest, Dividends and Other Investment Income	1,541,017	144,052
Total Investment Income	7,325,974	670,348
Less Investment Expense	377,668	35,133
Net Investment Income	6,948,306	635,215
Other Income	1,437	135
Total Additions	7,800,891	1,146,146
DEDUCTIONS		
Pension Benefits	3,551,477	241,327
Death Benefits	4,583	-
Contributions Refunded	17,441	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	33,506	7,094
Total Deductions	3,607,007	248,421
Change in Net Position Held in Trust For:		
Pension Benefits	4,193,884	897,725
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Position - Beginning	53,659,423	4,392,120
Prior Period Adjustments	625,606	-
Net Position - Beginning - As Restated	54,285,029	4,392,120
Net Position - Ending	$ 58,478,913	$ 5,289,845

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 47,294	$ 3,444	$ -	$ 884,900
-	-	74,248	602,030
47,294	3,444	74,248	1,486,930
29,540	413	126,143	6,467,349
8,092	113	11,096	1,704,370
37,632	526	137,239	8,171,719
1,995	27	2,634	417,457
35,637	499	134,605	7,754,262
-	-	968	2,540
82,931	3,943	209,821	9,243,732
-	-	70,551	3,863,355
-	-	-	4,583
-	-	-	17,441
30,777	4,094	-	34,871
1,149	169	875	42,793
31,926	4,263	71,426	3,963,043
-	-	-	5,091,609
51,005	(320)	-	50,685
-	-	138,395	138,395
266,580	4,559	1,133,568	59,456,250
-	-	-	625,606
266,580	4,559	1,133,568	60,081,856
$ 317,585	$ 4,239	$ 1,271,963	$ 65,362,545

Agency Fund

The Agency Fund accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

Combining Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2013
(In Thousands)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Custodial Assets	$ 1,610,719	$ 2,260,093	$ 2,228,796	$ 1,642,016
Accounts and Interest Receivable	5,150	691	1	5,840
Net Contracts, Notes, and Other Receivables	93,083	29,413	364	122,132
Receivership Assets	61,571	-	722	60,849
Total Assets	$ 1,770,523	$ 2,290,197	$ 2,229,883	$ 1,830,837
LIABILITIES				
Accounts and Interest Payable	$ 4	$ 563,109	$ 563,113	$ -
Due to Other Governments	7,308	7,056	7,308	7,056
Custodial Liabilities	1,763,211	1,770,042	1,709,472	1,823,781
Total Liabilities	$ 1,770,523	$ 2,340,207	$ 2,279,893	$ 1,830,837

Nonmajor Discretely Presented Component Units

Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government. The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

Oregon Health and Science University

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

Oregon University System Foundations

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

Oregon Affordable Housing Assistance Corporation

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2012, financial information of OAHAC is included in this report.

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2013
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 96,694	$ 65,031	$ 6,501	$ 168,226
Investments	299,636	-	-	299,636
Accounts and Interest Receivable (net)	270,673	-	7,969	278,642
Pledges, Contributions, and Grants Receivable (net)	39,090	145,603	-	184,693
Due from Other Governments	1,946	-	-	1,946
Due from Primary Government	13,635	-	-	13,635
Inventories	19,829	-	-	19,829
Prepaid Items	15,252	37,937	450	53,639
Total Current Assets	756,755	248,571	14,920	1,020,246
Noncurrent Assets:				
Investments	571,749	-	-	571,749
Investments - Restricted	481,769	1,364,217	-	1,845,986
Deferred Charges	9,647	-	-	9,647
Net Contracts, Notes and Other Receivables	4,690	-	-	4,690
Pledges, Contributions, and Grants Receivable (net)	102,618	-	-	102,618
Capital Assets:				
Land	72,443	7,229	-	79,672
Buildings, Property, and Equipment	2,276,361	66,524	-	2,342,885
Construction in Progress	234,906	-	-	234,906
Less Accumulated Depreciation and Amortization	(1,169,900)	(13,843)	-	(1,183,743)
Total Noncurrent Assets	2,584,283	1,424,127	-	4,008,410
Total Assets	3,341,038	1,672,698	14,920	5,028,656
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivative	17,060	-	-	17,060
Total Deferred Outflows of Resources	17,060	-	-	17,060
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	211,132	7,063	493	218,688
Due to Other Governments	14,907	-	8,131	23,038
Due to Primary Government	2,032	3,816	-	5,848
Unearned Revenue	30,839	18,732	6,296	55,867
Compensated Absences Payable	55,411	-	-	55,411
Claims and Judgments Payable	18,303	-	-	18,303
Contracts, Mortgages, and Notes Payable	1,954	-	-	1,954
Bonds/COPS Payable	12,151	-	-	12,151
Obligations Under Capital Lease	613	-	-	613
Total Current Liabilities	347,342	29,611	14,920	391,873
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	16,513	72,724	-	89,237
Claims and Judgments Payable	43,521	-	-	43,521
Contracts, Mortgages, and Notes Payable	30,400	28,940	-	59,340
Bonds/COPS Payable	685,499	44,502	-	730,001
Obligations Under Capital Lease	690	-	-	690
Advances from Primary Government	39,799	-	-	39,799
Net OPEB Obligation	7,328	-	-	7,328
Derivative Instrument Liabilities	17,060	-	-	17,060
Total Noncurrent Liabilities	840,810	146,166	-	986,976
Total Liabilities	1,188,152	175,777	14,920	1,378,849
Net Position				
Net Investment in Capital Assets	721,618	-	-	721,618
Restricted-Nonexpendable	396,599	779,543	-	1,176,142
Restricted for:				
Education	181,156	703,647	-	884,803
Unrestricted	870,573	13,731	-	884,304
Total Net Position	$ 2,169,946	$ 1,496,921	$ -	$ 3,666,867

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2013
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
Operating Revenues:				
Federal Revenue	$ -	$ -	$ 45,186	$ 45,186
Charges for Services	1,578,754	-	-	1,578,754
Investment Income (net)	-	125,447	2	125,449
Gifts, Grants, and Contracts	501,729	220,905	-	722,634
Other Revenues	93,112	26,982	-	120,094
Total Operating Revenues	2,173,595	373,334	45,188	2,592,117
Operating Expenses:				
Salaries and Wages	1,258,102	-	-	1,258,102
Services and Supplies	645,387	240,223	9,521	895,131
Mortgage Assistance Payments	-	-	35,667	35,667
Bond and COP Interest	28,601	-	-	28,601
Depreciation and Amortization	112,453	-	-	112,453
Other Expenses	-	8,022	-	8,022
Total Operating Expenses	2,044,543	248,245	45,188	2,337,976
Operating Income (Loss)	129,052	125,089	-	254,141
Nonoperating Revenues (Expenses):				
Investment Income	50,411	-	-	50,411
Other	2,627	-	-	2,627
State Appropriations	30,146	-	-	30,146
Total Nonoperating Revenues (Expenses)	83,184	-	-	83,184
Income (Loss) Before Capital Contributions	212,236	125,089	-	337,325
Capital Contributions	9,013	-	-	9,013
Change in Net Position	221,249	125,089	-	346,338
Net Position - Beginning	1,948,697	1,396,089	-	3,344,786
Prior Period Adjustments	-	(24,257)	-	(24,257)
Net Position - Beginning - As Restated	1,948,697	1,371,832	-	3,320,529
Net Position - Ending	$ 2,169,946	$ 1,496,921	$ -	$ 3,666,867

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Statistical Section

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Statistical Section
Index

This part of the State of Oregon's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

<u>Financial Trends</u>

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 3	Fund Balance – Governmental Funds
Schedule 4	Changes in Fund Balance – Governmental Funds

<u>Revenue Capacity</u>

These schedules contain information to help the reader assess the State's most significant revenue source, personal income taxes.

Schedule 5	Personal Income by Industry
Schedule 6	Personal Income Tax Rates
Schedule 7	Personal Income Tax Filers and Tax Liability by Income Level

<u>Debt Capacity</u>

These schedules present information concerning the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule 8	Outstanding Debt by Type
Schedule 9	Ratios of General Bonded Debt Outstanding
Schedule 10	Legal Debt Margin Calculation
Schedule 11	Legal Debt Margin Information
Schedule 12	Pledged Revenues

<u>Demographic and Economic Information</u>

These schedules provide demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Schedule 13	Demographic and Economic Indicators
Schedule 14	Employment by Industry

<u>Operating Information</u>

These schedules present operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule 15	Government Employees
Schedule 16	Operating Indicators and Capital Asset Information by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Schedule 1
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2004	2005	2006	2007
Governmental Activities				
Net Investment in Capital Assets	$ 9,555,705	$ 9,151,443	$ 8,901,594	$ 8,696,793
Restricted	334,292	904,848	1,021,026	1,098,817
Unrestricted	(2,158,668)	155,880	1,116,586	1,077,586
Total Governmental Activities Net Position	$ 7,731,329	$ 10,212,171	$ 11,039,206	$ 10,873,196
Business-type Activities				
Net Investment in Capital Assets	$ 549,148	$ 562,325	$ 594,247	$ 756,814
Restricted	2,233,534	2,550,548	2,857,577	2,998,195
Unrestricted	527,165	570,121	584,655	640,968
Total Business-type Activities Net Position	$ 3,309,847	$ 3,682,994	$ 4,036,479	$ 4,395,977
Primary Government				
Net Investment in Capital Assets	$ 10,104,853	$ 9,713,768	$ 9,495,841	$ 9,453,607
Restricted	2,567,826	3,455,396	3,878,603	4,097,012
Unrestricted	(1,631,503)	726,001	1,701,241	1,718,554
Total Primary Government Net Position	$ 11,041,176	$ 13,895,165	$ 15,075,685	$ 15,269,173

Schedule 1 (continued)
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2008	2009	2010	2011	2012	2013
$ 8,554,126	$ 9,094,498	$ 8,672,407	$ 8,107,685	$ 8,888,097	$ 10,636,687
950,491	1,126,942	1,287,403	2,582,708	3,143,955	2,794,989
954,809	(99,401)	(82,337)	138,387	(840,528)	(1,488,172)
$ 10,459,426	$ 10,122,039	$ 9,877,473	$ 10,828,780	$ 11,191,524	$ 11,943,504
$ 807,968	$ 897,150	$ 977,224	$ 1,195,629	$ 1,383,060	$ 1,383,562
3,177,420	2,399,089	556,589	670,672	505,991	549,486
656,919	677,037	2,201,451	2,378,452	2,778,815	3,084,564
$ 4,642,307	$ 3,973,276	$ 3,735,264	$ 4,244,753	$ 4,667,866	$ 5,017,612
$ 9,362,094	$ 9,991,648	$ 9,649,631	$ 9,303,314	$ 10,271,157	$ 12,020,249
4,127,911	3,526,031	1,843,992	3,253,380	3,649,946	3,344,475
1,611,728	577,636	2,119,114	2,516,839	1,938,287	1,596,392
$ 15,101,733	$ 14,095,315	$ 13,612,737	$ 15,073,533	$ 15,859,390	$ 16,961,116

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2004	2005	2006	2007
Expenses				
Governmental activities:				
Education	$ 3,485,891	$ 3,204,580	$ 3,622,117	$ 3,761,800
Human Services	4,276,235	4,675,846	4,873,613	4,814,964
Public Safety	857,643	928,483	1,008,285	1,023,202
Economic and Community Development	296,497	340,653	311,713	335,103
Natural Resources	488,514	582,788	541,084	580,778
Transportation	1,410,741	1,882,649	1,598,419	1,709,786
Consumer and Business Services	388,336	282,875	394,886	340,266
Administration	2,693,591	622,036	640,561	467,931
Legislative	25,480	31,447	29,602	36,660
Judicial	239,773	249,036	271,714	286,460
Interest on Long-term Debt	164,461	254,840	242,664	265,100
Total governmental activities expenses	14,327,162	13,055,233	13,534,658	13,622,050
Business-type activities:				
Housing and Community Services	88,653	89,583	93,288	98,683
Veterans' Loan	59,106	51,479	49,730	53,279
Lottery Operations	494,628	504,102	525,277	564,110
Unemployment Compensation	1,106,005	577,396	535,190	546,970
University System	1,617,687	1,729,107	1,858,254	1,893,227
State Hospitals	N/A	162,651	166,810	184,513
Liquor Control	N/A	237,604	263,725	284,298
Other Business-type Activities	442,676	75,182	76,804	76,911
Total business-type activities expenses	3,808,755	3,427,104	3,569,078	3,701,991
Total primary government expenses	$ 18,135,917	$ 16,482,337	$ 17,103,736	$ 17,324,041
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	$ 139,353	$ 221,522	$ 298,666	$ 215,222
Public Safety	138,377	35,107	70,979	48,170
Natural Resources	252,952	270,465	284,857	325,638
Transportation	106,598	129,351	108,552	104,830
Consumer and Business Services	152,899	158,999	202,305	239,561
Administration	94,970	203,275	214,866	230,328
Judicial	78,870	29,522	130,549	132,447
Other governmental activities	41,379	32,442	26,909	32,829
Operating Grants and Contributions	4,378,480	4,850,141	4,952,825	5,097,007
Capital Grants and Contributions	5,869	6,566	14,992	21,718
Total governmental activities program revenues	5,389,747	5,937,390	6,305,500	6,447,750

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2008	2009	2010	2011	2012	2013
$ 4,174,928	$ 4,224,991	$ 4,303,106	$ 3,979,440	$ 4,061,791	$ 3,883,592
5,316,540	6,057,047	6,861,998	7,535,059	8,186,498	8,459,678
1,183,931	1,185,507	1,199,579	1,180,405	1,235,617	1,256,086
355,133	397,032	455,453	480,196	416,683	423,191
613,329	658,553	593,122	629,222	619,535	637,929
2,251,391	2,249,632	1,858,705	1,566,210	1,394,815	1,407,506
461,015	408,803	463,489	424,534	263,541	403,725
570,903	470,583	474,624	376,821	349,555	305,791
39,142	44,683	33,012	37,801	34,839	40,828
311,828	307,916	308,574	313,886	326,803	311,401
315,530	297,308	299,467	351,713	367,826	331,531
15,593,670	16,302,055	16,851,129	16,875,287	17,257,503	17,461,258
100,706	91,010	84,337	78,194	75,879	67,918
46,652	26,855	19,685	19,365	18,628	-
573,203	537,332	518,076	510,401	534,018	494,337
687,363	1,875,259	3,020,372	2,306,502	1,729,355	1,236,639
1,808,424	1,948,793	2,003,668	2,146,867	2,300,493	2,412,100
203,818	215,576	222,311	248,072	270,793	253,960
307,380	314,563	312,980	325,410	344,540	367,141
75,134	87,977	89,505	269,217	268,659	324,463
3,802,680	5,097,365	6,270,934	5,904,028	5,542,365	5,156,558
$ 19,396,350	$ 21,399,420	$ 23,122,063	$ 22,779,315	$ 22,799,868	$ 22,617,816
$ 230,058	$ 250,524	$ 237,722	$ 289,686	$ 531,658	$ 639,524
67,869	94,613	75,511	80,842	141,432	59,551
300,685	282,380	313,587	285,394	306,336	301,196
153,423	138,400	115,507	138,383	140,219	147,234
258,299	313,602	276,359	270,467	69,000	124,698
282,977	111,537	107,625	115,365	96,006	91,626
136,327	158,736	145,548	185,523	99,052	197,966
32,467	28,662	37,507	38,068	42,502	63,009
5,162,489	6,017,307	7,691,076	8,324,841	7,400,703	7,816,666
27,611	86,563	45,398	97,682	37,134	30,663
6,652,205	7,482,324	9,045,840	9,826,251	8,864,042	9,472,133

(continued on next page)

Schedule 2 (continued from previous page)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2004	2005	2006	2007
Business-type activities:				
Charges for Services:				
Lottery Operations	892,672	938,370	1,093,196	1,203,821
Unemployment Compensation	726,680	783,594	758,350	676,838
University System	735,556	799,122	860,042	887,183
Liquor Control	N/A	313,308	349,454	379,741
Other Business-type Activities	507,666	210,964	192,481	217,402
Operating Grants and Contributions	908,594	770,971	803,972	891,998
Capital Grants and Contributions	-	-	-	-
Total business-type activities program revenues	3,771,168	3,816,329	4,057,495	4,256,983
Total primary government program revenues	$ 9,160,915	$ 9,753,719	$ 10,362,995	$ 10,704,733
Net (Expense)/Revenue				
Governmental activities	$ (8,937,415)	$ (7,117,843)	$ (7,229,158)	$ (7,174,300)
Business-type activities	(37,587)	389,225	488,417	554,992
Total primary government net expense	$ (8,975,002)	$ (6,728,618)	$ (6,740,741)	$ (6,619,308)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	$ 4,294,369	$ 4,746,727	$ 5,404,020	$ 4,486,068
Corporate Income Taxes	314,510	211,016	443,425	518,260
Tobacco Taxes	252,885	255,035	254,836	276,419
Healthcare Provider Taxes	N/A	N/A	131,371	128,199
Inheritance Taxes	N/A	N/A	N/A	81,068
Public Utilities Taxes	N/A	N/A	N/A	84,455
Insurance Premium Taxes	N/A	N/A	N/A	55,463
Other Taxes	412,531	503,666	419,786	106,101
Motor Fuels Taxes	406,317	407,729	417,916	416,792
Weight Mile Taxes	224,078	253,419	266,221	256,000
Vehicle Registration Taxes	165,270	204,787	207,581	205,205
Workers' Compensation Insurance Taxes	N/A	N/A	N/A	47,745
Employer-Employee Taxes	249,822	266,688	281,974	77,504
Unrestricted Investment Earnings	11,134	44,662	37,934	90,210
Contributions to Permanent Fund	4,701	11,453	-	4,192
Capital Contributions	389	407	1,473	2,853
Transfers	(44,272)	31,901	124,307	214,557
Total governmental activities	6,291,734	6,937,490	7,990,844	7,051,091
Business-type activities:				
Other Taxes	13,666	13,964	14,851	15,203
Capital Contributions	660	700	855	3,615
Additions to Permanent Endowments	-	-	2,580	70
Special Items	21,868	-	-	-
Transfers	44,272	(31,901)	(124,307)	(214,557)
Total business-type activities	80,466	(17,237)	(106,021)	(195,669)
Total primary government	$ 6,372,200	$ 6,920,253	$ 7,884,823	$ 6,855,422
Change in Net Position				
Governmental activities	$ (2,645,681)	$ (180,353)	$ 761,686	$ (123,209)
Business-type activities	42,879	371,988	382,396	359,323
Total primary government	$ (2,602,802)	$ 191,635	$ 1,144,082	$ 236,114

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2008	2009	2010	2011	2012	2013
1,229,486	1,100,228	1,027,735	1,038,805	1,050,315	1,069,064
638,186	662,346	859,790	1,022,592	1,083,438	1,092,890
954,039	1,003,897	1,156,843	1,288,143	1,356,609	1,438,948
406,421	418,559	425,374	443,120	470,421	502,919
213,758	236,151	267,585	431,470	436,945	452,345
664,179	1,064,383	2,238,266	1,986,426	1,621,254	1,139,888
-	87,425	108,257	60,081	36,770	60,048
4,106,069	4,572,989	6,083,850	6,270,637	6,055,752	5,756,102
$ 10,758,274	$ 12,055,313	$ 15,129,690	$ 16,096,888	$ 14,919,794	$ 15,228,235
$ (8,941,465)	$ (8,819,731)	$ (7,805,289)	$ (7,049,036)	$ (8,393,461)	$ (7,989,125)
303,389	(524,376)	(187,084)	366,609	513,387	599,544
$ (8,638,076)	$ (9,344,107)	$ (7,992,373)	$ (6,682,427)	$ (7,880,074)	$ (7,389,581)
$ 6,102,900	$ 5,182,743	$ 4,958,569	$ 5,597,821	$ 5,901,448	$ 6,320,497
448,010	253,685	387,639	502,862	440,444	463,012
254,524	250,243	250,135	258,453	249,388	254,483
154,460	143,535	192,077	233,826	423,951	414,267
116,186	77,622	91,845	80,482	102,351	99,318
89,621	88,295	80,790	71,939	72,310	85,781
42,721	46,952	70,291	90,085	94,583	103,251
123,907	140,726	144,931	119,882	156,256	186,038
413,858	399,048	406,179	449,462	492,188	487,308
237,296	210,055	208,573	240,056	260,091	251,518
201,245	185,202	245,699	275,344	281,799	282,857
40,733	36,635	30,065	34,942	53,669	50,242
76,576	71,119	65,977	69,429	71,977	72,861
81,815	17,717	3,193	3,306	11,157	4,917
-	259	288	14	76	228
4,482	-	-	-	-	-
154,510	157,663	129,016	(62,910)	125,915	107,437
8,542,844	7,261,499	7,265,267	7,964,993	8,737,603	9,184,015
16,086	16,340	16,754	16,204	16,893	16,388
71,716	-	-	-	-	-
-	-	-	-	159	241
-	-	-	-	-	-
(154,510)	(157,663)	(129,016)	62,910	(125,915)	(107,437)
(66,708)	(141,323)	(112,262)	79,114	(108,863)	(90,808)
$ 8,476,136	$ 7,120,176	$ 7,153,005	$ 8,044,107	$ 8,628,740	$ 9,093,207
$ (398,621)	$ (1,558,232)	$ (540,022)	$ 915,957	$ 344,142	$ 1,194,890
236,681	(665,699)	(299,346)	445,723	404,524	508,736
$ (161,940)	$ (2,223,931)	$ (839,368)	$ 1,361,680	$ 748,666	$ 1,703,626

Schedule 3
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

Reserved Balances

	2004	2005	2006
General Fund			
Reserved	$ 157,183	$ 63,788	$ 86,253
Unreserved	(501,913)	237,769	736,196
Total General Fund	$ (344,730)	$ 301,557	$ 822,449
All Other Governmental Funds			
Reserved	$ 799,074	$ 785,135	$ 823,590
Unreserved, reported in:			
Special revenue funds	1,517,921	1,911,255	2,640,061
Capital projects fund	37,305	64,405	118,136
Permanent fund	5,823	5,749	6,757
Total all other governmental funds	$ 2,360,123	$ 2,766,544	$ 3,588,544

Restricted Balances

	2011	2012	2013
General Fund			
Nonspendable	$ 79,891	$ 33,361	$ 20,361
Restricted	36,882	109,458	106,241
Committed	10,400	61,534	83,083
Assigned	7,864	-	-
Unassigned	109,117	(162,867)	574,197
Total General Fund	$ 244,154	$ 41,486	$ 783,882
All Other Governmental Funds			
Nonspendable	$ 195,575	$ 82,991	$ 76,641
Restricted	3,974,045	3,988,266	3,582,344
Committed	503,597	545,040	515,440
Assigned	29,146	37,476	20,164
Unassigned	-	-	(46,516)
Total all other governmental funds	$ 4,702,363	$ 4,653,773	$ 4,148,073

Note: Due to changes in the State's fund structure with the implementation of GASB Statement No. 54, fund balance information beginning with 2011 is no longer comparable to previous years. See Note 1 for additional information.

Schedule 3 (continued)
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2007	2008	2009	2010
$ 70,317	$ 202,823	$ 29,040	$ 35,403
113,579	1,095	(333,796)	(542,747)
$ 183,896	$ 203,918	$ (304,756)	$ (507,344)
$ 953,764	$ 1,180,823	$ 1,082,369	$ 1,429,016
3,658,675	3,446,971	3,523,322	3,544,868
47,930	23,218	130,498	50,420
6,691	8,067	3,788	4,984
$ 4,667,060	$ 4,659,079	$ 4,739,977	$ 5,029,288

Schedule 4
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

	2004	2005	2006	2007
Revenues				
Taxes	$ 6,303,389	$ 6,817,329	$ 7,839,265	$ 6,783,293
Licenses and Fees	312,609	369,626	389,766	407,044
Federal	4,233,648	4,608,759	4,661,448	4,670,353
Charges for Services	214,485	223,109	228,606	249,069
Fines, Forfeitures, and Penalties	116,191	68,399	89,559	101,714
Rents and Royalties	7,244	20,226	16,387	15,092
Investment Income	76,594	205,808	253,152	438,158
Sales	111,905	125,399	128,945	127,808
Donations and Grants	12,409	13,447	20,637	33,525
Contributions to Permanent Funds	4,701	11,453	-	4,192
Tobacco Settlement Proceeds	72,065	73,142	67,145	70,281
Foreclosure Settlement Proceeds	N/A	N/A	N/A	N/A
Pension Bond Debt Service Assessments	21,579	121,895	119,778	120,139
Unclaimed and Escheat Property Revenue	-	-	-	-
Other	288,622	275,937	360,081	328,888
Total Revenues	11,775,441	12,934,529	14,174,769	13,349,556
Expenditures				
Education	3,484,917	3,203,813	3,620,721	3,762,869
Human Services	4,269,562	4,665,643	4,877,485	4,825,597
Public Safety	842,487	905,510	984,969	1,016,728
Economic and Community Development	298,654	341,807	309,614	333,064
Natural Resources	484,410	573,781	538,831	603,695
Transportation	1,266,474	1,767,779	1,461,987	1,656,189
Consumer and Business Services	338,971	362,765	381,576	424,068
Administration	663,545	587,665	626,743	436,933
Legislative	25,181	30,688	29,381	35,711
Judicial	239,157	250,438	270,927	288,445
Capital Improvements/Construction	32,576	83,784	114,088	123,885
Debt Service:				
Principal	85,736	131,004	131,702	136,294
Interest	164,461	266,330	238,247	259,986
Other Debt Service	10,773	4,959	4,823	5,588
Total Expenditures	12,206,904	13,175,966	13,591,094	13,909,052
Excess of Revenues Over (Under) Expenditures	(431,463)	(241,437)	583,675	(559,496)
Other Financing Sources (Uses)				
Transfers from Other Funds	1,292,842	1,596,919	1,655,297	2,212,181
Transfers to Other Funds	(3,413,477)	(1,474,364)	(1,530,001)	(1,997,976)
Insurance Recoveries	-	-	1,432	3,718
Debt Issued	2,241,043	593,065	586,744	786,524
Refunding Debt Issued	127,577	21,625	29,610	200,745
Leases Incurred	-	3,939	-	-
Refunded Debt Payment to Escrow Agent	(144,206)	(130,389)	(38,777)	(210,383)
Total Other Financing Sources (Uses)	103,779	610,795	704,305	994,809
Net Change in Fund Balances	$ (327,684)	$ 369,358	$ 1,287,980	$ 435,313
Debt service as a percentage of noncapital expenditures	2.14%	3.17%	2.84%	3.03%

Schedule 4 (continued)
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2008	2009	2010	2011	2012	2013
$ 8,259,483	$ 7,004,715	$ 7,123,205	$ 7,952,882	$ 8,570,880	$ 8,969,867
438,508	450,855	486,159	515,591	470,480	462,233
4,973,781	6,044,251	7,413,272	7,971,721	7,251,929	7,480,379
307,778	269,196	275,885	289,562	372,361	356,418
100,175	87,915	88,718	81,049	137,354	119,942
18,185	15,779	14,428	14,930	15,645	16,258
168,314	(95,131)	198,153	270,265	51,831	191,017
125,282	107,427	106,400	97,178	91,906	105,796
36,940	71,339	24,552	57,757	24,135	32,694
-	259	288	14	76	227
90,297	98,078	82,327	77,426	78,940	78,909
N/A	N/A	N/A	N/A	25,253	-
121,035	4,509	6,216	5,608	5,681	6,196
-	-	13,716	50,827	15,308	22,057
354,518	345,339	298,061	342,268	440,679	429,523
14,994,296	14,404,531	16,131,380	17,727,078	17,552,458	18,271,516
4,174,922	4,224,170	4,304,099	3,978,423	4,062,244	3,884,393
5,347,990	6,120,267	7,031,421	7,716,623	8,268,743	8,544,692
1,175,881	1,170,452	1,177,382	1,158,601	1,219,852	1,241,057
354,396	397,936	456,169	483,292	416,395	420,351
629,624	658,484	600,470	656,626	623,461	647,606
1,636,160	1,709,819	1,898,077	1,956,722	1,569,039	1,694,679
466,917	480,212	446,994	463,899	281,556	269,701
526,691	417,348	435,164	399,918	343,256	348,600
37,456	39,977	32,036	36,058	33,289	39,405
311,716	317,665	310,468	317,297	336,099	318,209
78,195	90,695	121,440	127,409	129,337	88,583
179,171	229,599	264,679	300,823	331,581	357,106
306,488	288,892	315,650	354,718	350,874	338,645
2,320	8,162	9,248	4,961	6,817	3,440
15,227,927	16,153,678	17,403,297	17,955,370	17,972,543	18,196,467
(233,631)	(1,749,147)	(1,271,917)	(228,292)	(420,085)	75,049
2,215,963	2,407,080	2,450,401	2,813,236	2,361,835	2,809,301
(2,058,113)	(2,216,338)	(2,277,548)	(2,607,036)	(2,232,819)	(2,679,360)
4,046	5,002	2,476	3,140	676	2,224
99,721	1,166,080	1,058,693	425,955	265,197	155,311
14,310	33,997	106,354	112,876	502,389	212,319
134	17	558	18	-	-
(15,036)	(35,261)	(182,531)	(129,074)	(574,833)	(246,543)
261,025	1,360,577	1,158,403	619,115	322,445	253,252
$ 27,394	$ (388,570)	$ (113,514)	$ 390,823	$ (97,640)	$ 328,301
3.24%	3.27%	3.55%	3.85%	3.95%	3.99%

Schedule 5
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

	2003	2004	2005	2006
Farm earnings	$ 1,123,294	$ 1,256,177	$ 1,250,629	$ 1,326,237
Forestry, fishing, and related activities	1,201,089	1,177,656	1,108,519	1,147,917
Mining	109,969	127,036	144,856	167,156
Utilities	496,064	539,208	491,081	572,474
Construction	5,389,801	5,798,757	6,420,572	7,436,014
Manufacturing	11,503,864	12,325,860	12,893,480	13,557,931
Wholesale trade	4,890,386	5,380,529	5,792,652	6,222,745
Retail trade	6,150,092	6,418,238	6,738,546	7,207,194
Transportation and warehousing	2,825,560	3,055,554	3,234,915	3,442,279
Information	2,286,393	2,402,677	2,423,934	2,631,421
Finance and insurance	4,267,995	4,205,105	4,508,721	4,858,182
Real estate, rental, and leasing	1,809,993	1,779,050	1,781,007	1,805,271
Professional, scientific, and technical	4,944,420	5,272,410	5,594,538	6,118,195
Management of companies	2,107,099	2,258,272	2,435,774	2,715,982
Administrative & waste mgmt. services	2,800,425	2,926,401	3,238,707	3,575,032
Educational services	846,155	967,098	1,004,317	1,108,332
Health care and social assistance	8,514,437	9,108,985	9,622,060	10,408,521
Arts, entertainment, and recreation	661,270	685,636	697,625	742,916
Accommodation and food services	2,621,676	2,802,433	2,953,860	3,164,249
Other services	3,039,825	3,280,004	3,558,762	3,866,866
Federal government, civilian	2,156,834	2,260,834	2,343,026	2,388,856
Military	403,531	420,601	477,079	449,624
State government	3,239,300	3,389,704	3,267,783	3,186,643
Local government	8,943,999	9,393,230	9,128,454	9,036,407
Other[1]	24,598,607	25,551,914	26,468,441	30,036,912
Total personal income	$ 106,932,078	$ 112,783,369	$ 117,579,338	$ 127,173,356
Overall effective tax rate[2]	5.6%	5.7%	5.7%	5.7%

[1] Includes income from all sources other than wages, salaries, tips, etc.

[2] Overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). Overall effective tax rate for 2012 will not be available until May 2014.

Source: US Department of Commerce, Bureau of Economic Analysis and the Oregon Department of Revenue.

Schedule 5 (continued)
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

2007	2008	2009	2010	2011	2012
$ 1,398,312	$ 1,315,075	$ 1,051,086	$ 1,019,138	$ 1,346,434	$ 1,224,310
1,114,344	1,098,786	997,107	1,093,795	1,091,074	1,219,594
160,630	159,587	124,019	128,524	167,941	181,435
569,164	664,103	626,802	640,056	679,554	706,192
7,612,729	7,015,561	5,832,623	5,358,753	5,545,497	5,939,005
13,853,434	13,695,061	11,810,281	12,260,926	13,159,779	14,102,097
6,550,066	6,557,322	6,086,343	6,189,909	6,540,979	6,934,571
7,373,640	6,961,758	6,644,427	6,754,844	6,979,899	7,299,583
3,470,000	3,333,731	3,067,457	3,072,155	3,251,038	3,478,681
2,882,827	3,001,327	2,862,094	2,741,810	2,868,088	3,001,090
4,910,075	4,758,554	4,685,351	4,717,512	4,775,572	5,039,841
1,541,059	1,683,057	1,604,921	1,570,884	1,677,958	1,762,885
6,537,672	7,172,370	6,728,150	6,761,027	7,343,963	7,988,675
3,000,446	3,056,734	2,868,715	2,886,275	2,991,099	3,154,334
3,674,162	3,695,302	3,402,226	3,430,911	3,625,645	3,968,872
1,127,011	1,213,675	1,299,040	1,335,877	1,395,538	1,511,358
11,024,371	11,905,731	12,156,660	12,537,197	12,947,212	13,626,921
800,830	808,692	766,245	803,204	805,027	877,810
3,319,990	3,332,228	3,141,700	3,212,211	3,420,835	3,709,244
3,915,434	3,755,553	3,644,115	3,696,866	3,799,149	4,012,329
2,464,480	2,566,326	2,625,620	2,743,168	2,767,240	2,758,149
453,307	485,681	551,319	539,235	510,700	478,855
3,395,445	3,692,712	4,007,306	3,920,756	4,123,018	4,199,999
9,575,882	10,172,389	10,785,891	11,161,209	11,520,479	11,630,895
32,520,478	36,481,287	38,297,543	39,095,424	42,667,780	43,914,899
$ 133,245,788	$ 138,582,602	$ 135,667,041	$ 137,671,666	$ 146,001,498	$ 152,721,624
5.7%	5.5%	5.5%	5.6%	5.6%	N/A

Schedule 6
PERSONAL INCOME TAX RATES
Last Ten Calendar Years

		Top Income Tax Rate is Applied to Taxable Income in Excess of		
Year	Top Rate	Single & Married Filing Separately	Married Filing Jointly & Head of Household	Overall Effective Tax Rate [1]
2003	9.0%	6,350	12,700	5.6%
2004	9.0%	6,500	13,000	5.7%
2005	9.0%	6,650	13,300	5.7%
2006	9.0%	6,850	13,700	5.7%
2007	9.0%	7,150	14,300	5.7%
2008	9.0%	7,300	14,600	5.5%
2009	11.0% [2]	250,000	500,000	5.5%
2010	11.0%	250,000	500,000	5.6%
2011	11.0%	250,000	500,000	5.6%
2012	9.9%	125,000	250,000	N/A

[1] The overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). The overall effective tax rate for 2012 will not be available until May 2014.

[2] The increases in the top tax rate and applicable taxable income level beginning in 2009 are the result of passage of Oregon Measure 66 in January 2010. For tax year beginning 2012, the tax rate on households with income above $250,000 (above $125,000 for single filers) drops to 9.9 percent.

Source: Oregon Department of Revenue

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
Calendar Years 2002 and 2011
(Dollars In Thousands)

2002

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	4,005	0.25%	$ 371,666	9.94%
$100,001–$500,000	105,055	6.50%	1,118,198	29.89%
$80,001–$100,000	79,037	4.89%	414,496	11.08%
$60,001–$80,000	147,209	9.10%	556,044	14.87%
$40,001–$60,000	242,976	15.03%	602,410	16.10%
$20,001–$40,000	395,632	24.47%	511,965	13.69%
$10,001–$20,000	283,674	17.55%	133,352	3.56%
$10,000 and lower	359,112	22.21%	32,526	0.87%
Total	1,616,700	100.00%	$ 3,740,657	100.00%

2011

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	6,727	0.37%	$ 679,189	13.25%
$100,001–$500,000	205,980	11.29%	2,121,876	41.38%
$80,001–$100,000	115,896	6.35%	545,009	10.63%
$60,001–$80,000	174,028	9.54%	593,286	11.57%
$40,001–$60,000	252,076	13.81%	576,456	11.24%
$20,001–$40,000	410,277	22.48%	473,872	9.24%
$10,001–$20,000	291,247	15.96%	113,570	2.21%
$10,000 and lower	368,557	20.20%	24,543	0.48%
Total	1,824,788	100.00%	$ 5,127,801	100.00%

Source: Oregon Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Tax year 2011 is the most current year available.

Schedule 8
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

	2004	2005	2006	2007
Governmental Activities				
General Obligation Bonds	$ 2,347,854	$ 2,336,014	$ 2,321,899	$ 2,334,620
Revenue Bonds	763,110	1,093,936	1,458,648	2,098,181
Certificates of Participation	783,180	895,231	1,090,086	1,090,193
General Appropriation Bonds	466,214	440,372	413,026	383,655
Capital Leases	47	3,954	3,464	2,949
Business-type Activities				
General Obligation Bonds	2,016,631	2,009,091	1,991,627	2,065,472
Revenue Bonds	1,667,734	1,783,305	1,694,009	1,672,267
Certificates of Participation	18,288	20,633	22,916	31,589
Capital Leases	527	711	490	335
Total Primary Government	$ 8,063,585	$ 8,583,247	$ 8,996,165	$ 9,679,261
Percentage of Personal Income [1]	7.15%	7.30%	7.07%	7.26%
Per Capita [1]	$ 2.26	$ 2.38	$ 2.45	$ 2.60

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding debt for bonds and certificates of participation represent the outstanding principal, net of discounts, premiums, and other adjustments.

Schedule 8 (continued)
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

2008	2009	2010	2011	2012	2013
$ 2,325,539	$ 2,361,621	$ 2,333,486	$ 2,656,983	$ 2,977,322	$ 3,144,443
2,040,137	2,770,290	3,326,393	3,344,929	3,234,362	3,170,655
1,081,694	1,283,559	1,496,727	1,295,323	982,314	692,043
351,958	296,002	235,916	171,624	102,779	29,131
2,480	1,899	13,250	9,638	8,489	2,789
2,271,016	2,335,703	2,265,774	2,422,682	2,290,038	2,256,660
1,761,874	1,669,920	1,645,617	1,584,235	1,450,979	1,479,103
31,320	97,097	120,933	111,319	99,766	85,121
164	137	697	615	556	560
$ 9,866,182	$ 10,816,228	$ 11,438,793	$ 11,597,348	$ 11,146,605	$ 10,860,505
7.12%	7.97%	8.31%	7.94%	7.30%	7.05%
$ 2.62	$ 2.84	$ 2.98	$ 3.00	$ 2.86	$ 2.77

Schedule 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands)

Year	General Obligation Bonds	Percentage of Personal Income [1]	Per Capita
2004	$ 4,364,485	3.87%	$ 1.22
2005	4,345,105	3.70%	1.20
2006	4,313,526	3.39%	1.18
2007	4,400,092	3.30%	1.18
2008	4,596,555	3.32%	1.22
2009	4,697,324	3.46%	1.23
2010	4,599,260	3.34%	1.20
2011	5,079,665	3.48%	1.31
2012	5,267,360	3.45%	1.35
2013	5,401,103	3.50%	1.38

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums, and other adjustments.

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Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2013

	Constitutional/Statutory Provision	Constitutional Debt Limit [1]	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation	Article XI-E	0.19%	-
Higher Education	Article XI-F(1) & XI-G	1.50%	-
Pollution Control [2]	Article XI-H/ORS 468.195	0.50%	260,000,000
Water Resources	Article XI-I(1)	1.50%	-
Elderly and Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guarantee	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) [3]	Article XI-L/ORS 353.556	0.50%	261,495,000
Seismic Rehab-Public Education Buildings	Article XI-M	0.20%	-
Seismic Rehab-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
General Purpose GO's	Article XI-Q	1.00%	-
Revenue Bonds			
Highway User Tax	ORS 367.620	0.00%	$ 3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000
Oregon State Fair	ORS 565.095	0.00%	10,000,000

[1] Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2012 RMV of $421,591,001,829.

[2] Issuance of Pollution Control bonds is limited by statute to $260 million at any one time.

[3] Bonds issued to finance capital costs of Oregon Health and Science University shall be in an aggregate principal amount that produces net proceeds in an amount that does not exceed $200 million plus the amount of any costs and expenses of issuing the bonds.

Source: Office of the State Treasurer, Debt Management Division, and Oregon Constitution

Note: The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on proposed new bonds. The debt limit for lottery bonds is not a specific dollar amount; the limit varies based on changes in estimated net lottery proceeds and changes in estimated debt service on proposed new bonds. Therefore, lottery revenue bonds are not included in this schedule.

Schedule 10 (continued)
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2013

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
$ 50,000	$ -	$ 50,000
4,215,910,018	-	4,215,910,018
33,727,280,146	291,589,146	33,435,691,000
6,323,865,027	-	6,323,865,027
790,483,128	-	790,483,128
6,323,865,027	1,675,849,992	4,648,015,035
260,000,000	53,056,738	206,943,262
6,323,865,027	-	6,323,865,027
2,107,955,009	119,467,635	1,988,487,374
2,107,955,009	244,430,418	1,863,524,591
2,107,955,009	-	2,107,955,009
261,495,000	138,494,234	123,000,766
843,182,004	18,240,083	824,941,921
843,182,004	10,650,468	832,531,536
4,215,910,018	2,083,915,167	2,131,994,851
4,215,910,018	765,409,702	3,450,500,316
$ 74,668,862,444	$ 5,401,103,583	$ 69,267,758,861
$ 3,240,000,000	$ 2,752,902,382	$ 487,097,618
2,500,000,000	1,205,862,900	1,294,137,100
10,000,000	-	10,000,000
$ 5,750,000,000	$ 3,958,765,282	$ 1,791,234,718

Schedule 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

	2004	2005	2006	2007
General Obligation Bonds				
Debt limit	$ 52,440,336	$ 56,691,300	$ 60,648,799	$ 72,505,925
Total debt applicable to limit	4,364,485	4,345,105	4,313,526	4,400,092
Legal debt margin	$ 48,075,851	$ 52,346,195	$ 56,335,273	$ 68,105,833
Total debt applicable to the limit as a percentage of debt limit	8.32%	7.66%	7.11%	6.07%
Revenue Bonds				
Debt limit	$ 4,838,000	$ 4,838,000	$ 4,938,000	$ 4,938,000
Total debt applicable to limit	1,877,507	2,326,329	2,472,294	3,051,456
Legal debt margin	$ 2,960,493	$ 2,511,671	$ 2,465,706	$ 1,886,544
Total debt applicable to the limit as a percentage of debt limit	38.81%	48.08%	50.07%	61.80%

Source: Office of the State Treasurer, Debt Management Division, and state agencies' disclosures.

Note: Amounts of outstanding debt applicable to the debt limit represent the outstanding principal, net of discounts, premiums and other adjustments.

Schedule 11 (continued)
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

2008	2009	2010	2011	2012	2013
$ 83,591,921	$ 87,606,697	$ 83,182,525	$ 81,105,231	$ 76,868,469	$ 74,668,862
4,596,555	4,697,324	4,599,259	5,079,665	5,267,360	5,401,103
$ 78,995,366	$ 82,909,373	$ 78,583,266	$ 76,025,566	$ 71,601,109	$ 69,267,759
5.50%	5.36%	5.53%	6.26%	6.85%	7.23%
$ 5,110,000	$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,750,000
3,086,639	3,728,117	4,229,615	4,196,478	4,048,627	3,958,765
$ 2,023,361	$ 2,221,883	$ 1,720,385	$ 1,753,522	$ 1,901,373	$ 1,791,235
60.40%	62.66%	71.09%	70.53%	68.04%	68.85%

Schedule 12
PLEDGED REVENUES
Last Ten Fiscal Years
(In Thousands)

Lottery Revenue Bonds

Year	Revenues	Expenses	Net Revenues Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2004	$ 883,446	$ 502,100	$ 381,346	$ 36,410	$ 26,718	$ 63,128	6.04
2005	944,466	511,528	432,938	44,715	26,769	71,484	6.06
2006	1,092,446	533,895	558,551	47,670	27,159	74,829	7.46
2007	1,219,556	577,103	642,453	48,970	25,984	74,954	8.57
2008	1,262,601	583,829	678,772	56,795	33,714	90,509	7.50
2009	1,111,945	543,662	568,283	65,985	32,380	98,365	5.78
2010	1,033,880	517,196	516,684	73,051	51,802	124,853	4.14
2011	1,039,710	514,350	525,360	75,850	51,601	127,451	4.12
2012	1,068,050	539,942	528,108	77,635	57,150	134,785	3.92
2013	1,065,255	495,524	569,731	74,525	54,088	128,613	4.43

Source: Oregon State Lottery financial statements and the Oregon Department of Administrative Services, Chief Financial Office.

Lottery Bonds are secured by future unobligated net lottery proceeds. For additional information, see Note 12.

Highway User Tax Revenue Bonds

Year	Pledged Revenue	Debt Service Requirements Principal	Interest	Total	Coverage
2004	$ 421,185	$ 6,550	$ 12,541	$ 19,091	22.06
2005	500,399	17,805	23,494	41,299	12.12
2006	487,582	14,040	26,649	40,689	11.98
2007	502,431	14,290	42,723	57,013	8.81
2008	487,125	34,405	60,155	94,560	5.15
2009	447,288	34,365	58,287	92,652	4.83
2010	501,808	41,805	70,020	111,825	4.49
2011	593,995	47,720	103,837	151,557	3.92
2012	566,923	52,070	98,173	150,243	3.77
2013	555,971	56,705	91,187	147,892	3.76

Source: Highway User Tax Bond official statements and the Oregon Department of Transportation.
Highway User Tax Revenue Bonds are secured by a pledge of motor fuels, weight-mile, and vehicle registration taxes.

Note: The State also issues revenue bonds that are primarily paid using loan repayments. Schedules for these bonds are not presented because an association of net revenues with debt service requirements is not meaningful.

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income [1]	Per Capita Personal Income	Unemployment Rate
2004	3,569,463	$112,783,369	$ 31,597	7.3%
2005	3,613,202	117,579,338	32,542	6.2%
2006	3,670,883	127,173,356	34,644	5.3%
2007	3,722,417	133,245,788	35,796	5.2%
2008	3,768,748	138,582,602	36,772	6.5%
2009	3,808,600	135,667,041	35,621	11.1%
2010	3,838,212	137,671,666	35,869	10.7%
2011	3,868,229	146,001,498	37,744	9.5%
2012	3,899,353	152,721,624	39,166	8.7%
2013	3,917,800	154,100,000	39,333	8.3%

[1] Personal income presented in thousands.

Source: Population and personal income figures for 2004 through 2012 were supplied by the US Department of Commerce, Bureau of Economic Analysis. The unemployment rates for all years are annual averages and were provided by the Oregon Employment Department .

Population and personal income estimates for 2013 were provided by the Oregon Office of Economic Analysis.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2012 and Nine Years Prior

	2003		2012	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	68,141	3.27%	65,613	2.94%
Forestry, fishing, and related activities	29,144	1.40%	28,812	1.29%
Mining	3,455	0.17%	4,651	0.21%
Utilities	5,368	0.26%	4,809	0.21%
Construction	114,114	5.47%	102,917	4.60%
Manufacturing	205,301	9.85%	186,301	8.34%
Wholesale trade	81,076	3.89%	83,925	3.76%
Retail trade	231,782	11.12%	233,898	10.47%
Transportation and warehousing	62,323	2.99%	64,148	2.87%
Information	39,591	1.90%	41,379	1.85%
Finance and insurance	82,259	3.95%	96,808	4.33%
Real estate, rental, and leasing	77,785	3.73%	102,272	4.58%
Professional and technical services	111,927	5.37%	138,882	6.21%
Management of companies	26,068	1.25%	31,604	1.41%
Administrative and waste services	109,546	5.25%	118,365	5.30%
Educational services	41,022	1.97%	54,267	2.43%
Health care and social assistance	216,904	10.40%	259,115	11.60%
Arts, entertainment, and recreation	43,635	2.09%	54,549	2.44%
Accommodation and food services	143,280	6.87%	163,068	7.30%
Other services	113,377	5.44%	119,374	5.34%
Federal government, civilian	30,771	1.48%	28,141	1.26%
Military	13,403	0.64%	12,246	0.55%
State government	63,464	3.04%	62,005	2.77%
Local government	171,002	8.20%	177,354	7.94%
Total employment	2,084,738	100.00%	2,234,503	100.00%

Source: US Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

Schedule 15
GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education	12,691	12,691	12,411	12,411	13,117	13,117	13,394	13,394	13,485	13,485
Human Services	9,281	9,281	9,200	9,200	9,753	9,753	11,145	11,145	11,478	11,379
Public Safety	7,810	7,810	8,187	8,187	9,021	9,021	9,069	9,069	8,562	8,532
Economic and Community Services	1,846	1,846	1,753	1,753	1,650	1,650	1,991	1,991	2,358	1,910
Natural Resources	4,163	4,163	4,272	4,272	4,367	4,367	4,332	4,332	4,304	4,288
Transportation	4,602	4,602	4,579	4,579	4,535	4,535	4,554	4,554	4,532	4,533
Consumer and Business Services	1,559	1,559	1,550	1,550	1,593	1,593	1,592	1,592	1,454	1,446
Administration	2,817	2,817	2,879	2,879	2,958	2,958	2,882	2,882	2,809	2,785
Legislative Branch	394	394	393	393	404	404	381	381	427	427
Judicial Branch	1,896	1,896	1,907	1,907	1,975	1,975	1,766	1,766	1,818	1,829
Total FTE Positions	47,059	47,059	47,131	47,131	49,373	49,373	51,106	51,106	51,227	50,614

Source: Department of Administrative Services, Chief Financial Office.

Note: The number of full time equivalent (FTE) positions is established in the legislatively adopted biennial budget. A distinction between governmental and business-type activities is not available.

Schedule 16
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2004	2005	2006
Governmental Activities			
Education			
Number of PreK-12 students	551,407	552,320	559,215
Number of FTE community college students	93,221	92,054	91,401
Special education school campuses	2	2	2
Human Services			
Number of individuals eligible for Oregon Health Plan	359,325	374,751	381,343
Average number of basic TANF individuals	40,598	42,119	40,527
Public Safety			
Number of sworn state police officers	610	582	607
Prison inmate population	12,776	12,875	13,229
Number of correctional facilities	12	13	13
Economic and Community Development			
Community development grants provided (in dollars)	13,319,246	11,454,006	17,040,564
Number of technical assistance grants provided	6	6	8
Natural Resources			
Forest acres burned	5,941	11,588	11,458
State park day use visitors (in millions)	42.4	40.6	40.1
Acreage of state parks	99,030	101,010	97,340
Miles of forest roads	3,082	3,123	3,155
Transportation			
Licensed drivers (in millions)	2.9	3.0	3.0
Vehicle miles traveled on state highway system (in billions)	20.8	20.7	20.7
State highway system miles	7,441	7,426	7,420
Number of state owned bridges	2,670	2,664	2,676
Consumer and Business Services			
Number of employers covered by workers' compensation	86,115	87,150	89,685
Historic premiums written for all insurance lines (in billions)	14.4	15.0	16.2
Average bank and credit union assets (in billions)	37.7	35.4	46.0
Construction employment (in thousands)	82.7	90.8	100.9
Administration			
Number of tax returns filed	1,653,203	1,697,166	1,755,568
Percent of returns filed electronically	45.3%	56.0%	58.0%
Uniform rent square footage	1,796,482	1,796,482	1,810,942
Leased office space square footage	3,522,641	3,522,641	3,784,762
Number of motor pool vehicles	3,605	3,689	3,814
Legislative			
Number of bills introduced	-	2,957	-
Number of bills becoming law	-	844	-
Length of legislative session (in days)	-	208	1
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	607,539	611,946	602,896
Number of circuit court judges	169	169	173

Sources: Various state agencies

Note: Figures for 2012 and 2013 that are not available until a later date are indicated with N/A.

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2007	2008	2009	2010	2011	2012	2013
562,828	566,067	564,064	561,698	561,331	560,951	563,714
91,456	94,587	105,149	121,815	124,988	117,653	117,233
2	2	2	1	1	1	1
365,940	386,662	426,578	495,872	590,406	619,994	672,210
39,096	42,338	48,321	54,994	61,768	70,881	74,313
557	646	604	660	773	610	606
13,497	13,553	13,925	14,021	14,026	14,186	14,578
13	14	14	14	14	14	14
9,607,717	10,704,034	2,791,056	15,065,341	8,093,200	12,496,300	17,299,550
3	6	5	4	4	5	6
54,104	7,860	7,000	6,065	2,272	17,396	143,047
41.4	40.3	40.1	41.2	40.0	40.4	42.1
97,447	97,446	100,379	103,474	105,684	108,613	108,654
3,202	3,225	3,255	3,305	3,377	3,400	3,432
3.1	3.1	3.1	3.0	3.0	3.0	N/A
20.6	19.5	19.8	19.7	19.4	19.4	N/A
7,416	7,415	7,422	7,415	7,403	7,401	N/A
2,666	2,671	2,681	2,693	2,703	2,709	2,717
91,551	92,058	90,400	93,800	99,800	101,000	N/A
17.4	17.9	17.7	17.2	17.5	18.0	N/A
58.7	40.7	42.0	40.5	39.1	44.0	N/A
104.2	94.7	73.9	67.7	68.6	69.8	N/A
1,835,095	1,805,843	1,768,397	1,791,680	1,824,788	N/A	N/A
62.0%	63.0%	67.0%	75.0%	79.0%	N/A	N/A
1,896,185	1,904,531	1,953,760	1,953,760	1,954,332	1,954,332	1,867,585
4,372,625	4,425,500	4,532,405	4,676,051	5,104,986	4,518,791	4,020,638
3,922	3,922	4,247	4,247	4,183	3,993	3,994
2,744	87	2,613	195	3,021	275	2,511
909	54	914	105	732	112	788
171	19	169	25	150	34	156
1	1	1	1	1	1	1
605,753	610,334	599,605	565,397	552,601	549,803	N/A
173	173	173	173	173	173	174

(continued on next page)

Schedule 16 (continued from previous page)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2004	2005	2006
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,051	1,447	1,149
Number of affordable rental units produced	1,062	719	608
Veterans' Loan			
Number of outstanding loans	10,176	8,013	6,612
Percent of delinquent loans	0.39%	0.21%	0.32%
Lottery Operations			
Number of retailers	3,421	3,484	3,579
Number of video terminals	10,194	10,438	11,125
Unemployment Compensation			
Number of claims paid	2,903,857	2,209,165	1,923,182
Amount of claims paid (in millions)	718.1	558.0	503.4
University System			
Total headcount enrollment	80,066	80,888	81,002
Degrees awarded	16,349	16,694	16,979
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	295,183	304,731	284,265
Number of state owned hospital beds	810	834	781
Liquor Control			
Number of state retail outlets	239	241	243
Number of cases sold	2,014,098	2,108,035	2,295,797
Other Business-type Activities			
Number of residents in Oregon Veterans' Home	120	132	135
Number of state owned parking spaces	4,507	4,507	4,507

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2007	2008	2009	2010	2011	2012	2013
1,195	1,850	836	171	383	520	360
522	1,003	421	-	144	239	-
5,672	4,883	4,069	3,404	2,850	2,408	2,050
0.25%	0.10%	0.47%	0.73%	1.54%	1.45%	1.61%
3,691	3,785	3,855	3,916	3,901	3,907	3,848
11,831	12,205	12,365	12,344	12,202	12,175	12,037
2,050,678	3,275,097	8,422,488	8,762,507	6,764,818	5,035,594	N/A
569.4	954.9	2,688.4	2,704.1	1,953.0	1,489.8	N/A
82,249	86,546	91,580	96,960	100,316	101,393	103,074
17,116	16,897	16,944	17,920	18,694	20,209	20,830
7	7	7	7	7	7	7
282,993	284,640	268,052	247,104	232,892	226,104	231,355
790	788	756	709	719	771	685
241	242	240	243	247	249	248
2,431,531	2,551,732	2,572,865	2,573,935	2,676,106	2,791,591	2,911,100
140	140	138	144	140	140	144
4,656	4,665	4,568	4,545	4,544	4,484	4,742

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